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Public

Accounts

Volume III

**TRUST FUNDS,
CROWN CORPORATIONS
AND AGENCIES**



**PROVINCE OF
BRITISH COLUMBIA
MINISTRY OF
FINANCE AND
CORPORATE RELATIONS**



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1988-89

**Public
Accounts
Volume III**

**TRUST FUNDS,
CROWN CORPORATIONS
AND AGENCIES
FOR THE FISCAL YEAR ENDED
MARCH 31, 1989**



**PROVINCE OF
BRITISH COLUMBIA
MINISTRY OF
FINANCE AND
CORPORATE RELATIONS**

HON. MEL COUVELIER
Minister of Finance and Corporate Relations

British Columbia Cataloguing in Publication Data

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Combined financial statements of the Province B

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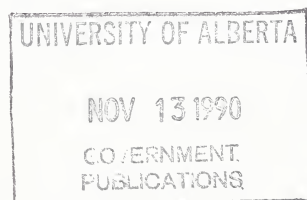
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FINANCIAL STATEMENTS OF CROWN CORPORATIONS AND OTHER GOVERNMENT AGENCIES

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**SUMMARY OF FINANCIAL STATEMENTS OF CROWN CORPORATIONS,
OTHER GOVERNMENT AGENCIES AND PUBLIC BODIES**

(Unaudited)

(Thousands of Dollars)

| | BALANCE SHEET | | | OPERATING STATEMENT | | |
|---|-------------------|-------------------|------------------|---------------------|------------------|-----------------------|
| | Assets | Liabilities | Equity | Income | Expenditure | Net Earnings (Losses) |
| Provincial Corporations and Agencies | | | | | | |
| British Columbia Educational Institutions Capital Financing Authority | 396,324 | 396,324 | — | 60,230 | 60,230 | — |
| British Columbia Health Care Research Foundation | 10,140 | 9,882 | 258 | 5,285 | 5,127 | 158 |
| British Columbia Heritage Trust | 4,014 | 96 | 3,918 | 2,342 | 1,788 | 554 |
| British Columbia Housing Management Commission | 11,521 | 7,553 | 3,968 | 67,590 | 66,937 | 653 |
| B.C. Pavilion Corporation | 163,137 | 7,482 | 155,655 | 35,527 | 35,527 | — |
| British Columbia Petroleum Corporation | | | | | | |
| — Petroleum Corporation Fund | 56,266 | 2,167 | 54,099 | 5,830 | 45,144 | (39,314) |
| — Natural Gas Price Adjustment Fund | 81,101 | 43,845 | 37,256 | 318,049 | 328,702 | (10,653) |
| British Columbia Regional Hospital Districts Financing Authority | 801,265 | 801,265 | — | 125,555 | 125,555 | — |
| British Columbia School Districts Capital Financing Authority | 857,848 | 857,848 | — | 159,473 | 159,473 | — |
| Creston Valley Wildlife Management Authority Trust Fund | 282 | 11 | 271 | 314 | 371 | (57) |
| Discovery Foundation | 21,668 | 10,988 | 10,680 | 6,431 | 6,598 | (167) |
| Health Facilities Association of British Columbia | 64,306 | 64,306 | — | 13,683 | 13,683 | — |
| Legal Services Society | 6,296 | 5,730 | 566 | 26,131 | 26,998 | (867) |
| Medical Services Commission of British Columbia | 113,570 | 113,570 | — | 1,095,113 | 1,095,113 | — |
| Provincial Capital Commission | 2,778 | 210 | 2,568 | 2,658 | 1,940 | 718 |
| Provincial Rental Housing Corporation | 70,046 | 69,344 | 702 | 8,630 | 7,119 | 1,511 |
| Science Council of British Columbia and Secretariat on Science, Research and Development | 14,979 | 301 | 14,678 | 16,627 | 5,110 | 11,517 |
| Subtotals | 2,675,541 | 2,390,922 | 284,619 | 1,949,468 | 1,985,415 | (35,947) |
| Crown Service Corporations: | | | | | | |
| British Columbia Buildings Corporation | 643,882 | 534,299 | 109,583 | 260,125 | 231,967 | 28,158 |
| British Columbia Systems Corporation | 64,455 | 57,482 | 6,973 | 107,987 | 107,217 | 770 |
| Subtotals | 708,337 | 591,781 | 116,556 | 368,112 | 339,184 | 28,928 |
| Transportation Companies and Commercial Enterprises | | | | | | |
| British Columbia Enterprise Corporation | 92,898 | 68,136 | 24,762 | 251,638 | 233,282 | 18,356 |
| British Columbia Ferry Corporation | 370,121 | 151,349 | 218,772 | 246,557 | 234,683 | 11,874 |
| British Columbia Hydro and Power Authority | 8,898,000 | 8,217,000 | 681,000 | 1,788,000 | 1,702,000 | 86,000 |
| British Columbia Lottery Corporation | 45,156 | 45,156 | — | 524,230 | 334,585 | 189,645 |
| British Columbia Railway Company | 1,338,071 | 393,653 | 944,418 | 330,670 | 272,354 | 58,316 |
| British Columbia Steamship Company (1975) Ltd. | 5,057 | 9,392 | (4,335) | 10,598 | 12,430 | (1,832) |
| British Columbia Transit | 1,475,126 | 1,267,587 | 207,539 | 372,944 | 372,892 | 52 |
| Housing Corporation of British Columbia | 4,653 | 3 | 4,650 | 357 | 23 | 334 |
| Pacific Coach Lines Limited | 42 | — | 42 | 5 | — | 5 |
| Subtotals | 12,229,124 | 10,152,276 | 2,076,848 | 3,524,999 | 3,162,249 | 362,750 |
| Other: | | | | | | |
| British Columbia Assessment Authority | 6,121 | 3,140 | 2,981 | 38,266 | 38,296 | (30) |
| British Columbia Housing and Employment Development Financing Authority | 1,524 | 1,158 | 366 | 164 | 3 | 161 |
| British Columbia Liquor Distribution Branch | 73,362 | 73,362 | — | 1,238,686 | 823,472 | 415,214 |
| Insurance Corporation of British Columbia | 2,212,917 | 2,152,547 | 60,370 | 1,247,355 | 1,221,202 | 26,153 |
| Workers' Compensation Board of British Columbia | 3,072,909 | 2,827,525 | 245,384 | 714,546 | 716,778 | (2,232) |
| Subtotals | 5,366,833 | 5,057,732 | 309,101 | 3,239,017 | 2,799,751 | 439,266 |
| TOTAL CROWN CORPORATIONS AND GOVERNMENT AGENCIES | 20,979,835 | 18,192,711 | 2,787,124 | 9,081,596 | 8,286,599 | 794,997 |
| Universities and Colleges | | | | | | |
| British Columbia Institute of Technology | 104,618 | 35,321 | 69,297 | 105,843 | 89,255 | 16,588 |
| Simon Fraser University | 265,042 | 83,263 | 181,779 | 161,175 | 158,457 | 2,718 |
| University of British Columbia | 810,344 | 246,421 | 563,923 | 473,926 | 475,914 | (1,988) |
| University of Victoria | 232,390 | 46,189 | 186,201 | 125,579 | 121,625 | 3,954 |
| TOTAL UNIVERSITIES AND COLLEGES | 1,412,394 | 411,194 | 1,001,200 | 866,523 | 845,251 | 21,272 |
| GRAND TOTALS | 22,392,229 | 18,603,905 | 3,788,324 | 9,948,119 | 9,131,850 | 816,269 |

NOTE

The figures on this schedule are taken from the audited financial statements of the above listed entities which are contained in this volume. As they do not all have the same fiscal year end, totals do not all apply to the 1988/89 fiscal year. Totals are shown only to give the reader an idea of the size and scope of the organizations on a collective basis.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
(604) 387-6803

AUDITOR'S REPORT

To the Chairman and Members of the Board of Directors of the
British Columbia Assessment Authority, and

To the Minister of Finance and Corporate Relations,
Province of British Columbia:

I have examined the balance sheet of the British Columbia Assessment Authority as at December 31, 1988 and the statements of revenue, expenditure and equity and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Assessment Authority Act. In my opinion, these transactions were, in all significant respects, in compliance with the Act.

A handwritten signature in dark ink, appearing to read "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
March 10, 1989

BRITISH COLUMBIA ASSESSMENT AUTHORITY
BALANCE SHEET
AS AT DECEMBER 31, 1988

| ASSETS | <u>1988</u> | <u>1987</u> |
|--|---------------------|---------------------|
| Current Assets | | |
| Cash and temporary investments | \$ 4,259,500 | \$ 4,101,261 |
| Accounts receivable | 155,553 | 125,271 |
| Prepaid expenses | 127,796 | 411,119 |
| | <u>4,542,849</u> | <u>4,637,651</u> |
| Fixed Assets [Note 3] | | |
| Land, building, equipment and vehicles | 5,060,114 | 4,551,837 |
| Less accumulated depreciation | 3,481,224 | 3,203,978 |
| | <u>1,578,890</u> | <u>1,347,859</u> |
| | <u>\$ 6,121,739</u> | <u>\$ 5,985,510</u> |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 2,588,445 | \$ 2,348,452 |
| Current portion of long-term liabilities | 65,980 | 101,863 |
| | <u>2,654,425</u> | <u>2,450,315</u> |
| Long-Term Liabilities | | |
| Obligations under capital leases [Note 5] | 17,176 | 93,925 |
| Employees' past benefits | 534,775 | 531,805 |
| | <u>551,951</u> | <u>625,730</u> |
| Less current portion | 65,980 | 101,863 |
| | <u>485,971</u> | <u>523,867</u> |
| | <u>3,140,396</u> | <u>2,974,182</u> |
| Equity | | |
| Equity in fixed assets | 1,578,890 | 1,347,859 |
| Reserve for major industrial properties valuation project [Note 6] | - | 690,000 |
| Surplus from operations | 1,402,453 | 973,469 |
| | <u>2,981,343</u> | <u>3,011,328</u> |
| | <u>\$ 6,121,739</u> | <u>\$ 5,985,510</u> |

The accompanying nine notes are an integral part of these financial statements.

Approved by the Authority

John P. Taylor - Chairman of the Board

G. Zorn - Director of Finance

BRITISH COLUMBIA ASSESSMENT AUTHORITY
STATEMENT OF REVENUE, EXPENDITURE AND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1988

| | <u>1988</u> | <u>1987</u> |
|---|--------------|--------------|
| REVENUE | | |
| Province of British Columbia grant [Note 7] | \$ 6,867,200 | \$ 6,700,000 |
| Tax levies [Note 8] | 30,456,493 | 29,357,508 |
| Interest | 408,228 | 355,925 |
| Other | 534,114 | 421,632 |
| | ----- | ----- |
| | 38,266,035 | 36,835,065 |
| | ----- | ----- |
| EXPENDITURE | | |
| Salaries and benefits | 27,721,465 | 25,734,475 |
| Directors' fees and expenses | 93,783 | 69,616 |
| Accommodation | 2,262,987 | 2,179,044 |
| Travel | 1,401,149 | 1,408,035 |
| Office | 1,973,309 | 1,496,925 |
| Interest on capital leases | 8,122 | 24,488 |
| Other interest [Note 4] | 274,273 | 281,083 |
| Professional and special services | 3,294,196 | 3,034,673 |
| Depreciation | 553,129 | 443,201 |
| | ----- | ----- |
| | 37,582,413 | 34,671,540 |
| | ----- | ----- |
| EXCESS OF REVENUE OVER EXPENDITURE BEFORE EXTRAORDINARY ITEM | 683,622 | 2,163,525 |
| EXTRAORDINARY ITEM [Note 6] | 713,607 | 277,434 |
| | ----- | ----- |
| NET EXCESS OF REVENUE OVER EXPENDITURE | [29,985] | 1,886,091 |
| EQUITY - BEGINNING OF YEAR | 3,011,328 | 1,125,237 |
| | ----- | ----- |
| EQUITY - END OF YEAR | \$ 2,981,343 | \$ 3,011,328 |
| | ===== | ===== |

BRITISH COLUMBIA ASSESSMENT AUTHORITY
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1988

| | <u>1988</u> | <u>1987</u> |
|--|----------------------------|----------------------------|
| OPERATING ACTIVITIES | | |
| Net excess of revenue over expenditure for the year | \$[29,985] | \$ 1,886,091 |
| Depreciation | 553,129 | 443,201 |
| Gain on disposal of fixed assets | [65,317] | [25,002] |
| Net increase [decrease] in employees' past benefits | 2,970 | [27,520] |
| Increase [decrease] in net current liabilities, excluding cash resources | 493,034 | [98,801] |
| | <u>953,831</u> | <u>2,177,969</u> |
| Funds provided by operations | | |
| INVESTING ACTIVITIES | | |
| Acquisition of fixed assets | [786,621] | [690,912] |
| Proceeds of sale of fixed assets | 67,778 | 27,119 |
| | <u>718,843]</u> | <u>663,793]</u> |
| Funds used for investing activities | | |
| FINANCING ACTIVITIES | | |
| Repayments of obligations under capital leases, net of increases | [76,749] | [121,539] |
| | <u>158,239</u> | <u>1,392,637</u> |
| INCREASE IN FUNDS | | |
| FUNDS AT BEGINNING OF YEAR | 4,101,261 | 2,708,624 |
| FUNDS AT END OF YEAR | \$ <u><u>4,259,500</u></u> | \$ <u><u>4,101,261</u></u> |

Funds consist of cash and temporary investments.

BRITISH COLUMBIA ASSESSMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1988

1. THE AUTHORITY

The purpose of the Authority, as set out in the Assessment Authority Act, is to establish and maintain assessments that are uniform in the whole of the Province in accordance with the Assessment Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements are:

(a) Fixed assets

Fixed assets are stated at cost. Depreciation is provided on a straight line basis using the following annual rates:

| | |
|-------------------------|-----|
| Building | 5% |
| Furniture and equipment | 20% |
| Motor vehicles | 20% |

Fixed assets include the cost of leased equipment in cases where the Authority will enjoy substantially all of the economic benefits to be derived from an asset during the lifetime of its lease. Cost approximates the fair market value of the leased equipment at the start of the lease. The balance of the unpaid lease obligations, excluding interest, is included in the Authority's liabilities.

(b) Employees' past benefits

At the time of the formation of the British Columbia Assessment Authority, the Authority negotiated an agreement with those designated employees whose previous working agreements contained clauses which called for payment of certain benefits upon death, retirement or termination of employment. The benefits under the agreement are recognized as a long-term liability, with an amount equal to payments due within the immediate twelve months following the statement date segregated and recognized as a current liability. Adjustments to the liability resulting from changes in salary rates are charged to the current year. Payments of benefits are treated as a reduction of the liability.

(c) Tax levy revenue

Recognition of tax levy revenue is consistent with the provisions of Section 16(3) of the Assessment Authority Act. Tax levy revenue of the Authority is recognized at the time taxes are collected by the municipality or the Minister of Finance and Corporate Relations, as applicable.

(d) Temporary investments

Temporary investments are reported at the lower of cost and market value.

BRITISH COLUMBIA ASSESSMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1988

3. FIXED ASSETS

| | 1988 | | | 1987 |
|-----------------------|--------------------|-----------------------------|--------------------|--------------------|
| | Cost | Accumulated Depreciation | Net | Net |
| Land | \$ 178,000 | \$ - | \$ 178,000 | \$ 178,000 |
| Building | 223,249 | 147,517 | 75,732 | 86,894 |
| Furniture & equipment | 3,984,106 | 2,800,152 | 1,183,954 | 994,284 |
| Motor vehicles | 674,759 | 533,555 | 141,204 | 88,681 |
| | <u>\$5,060,114</u> | <u>\$3,481,224</u> | <u>\$1,578,890</u> | <u>\$1,347,859</u> |

Included in the above are assets acquired under capital leases, as follows:

| | 1988 | | | 1987 |
|-----------|-----------|-----------------------------|-----------|-----------|
| | Cost | Accumulated Depreciation | Net | Net |
| Equipment | \$ 96,164 | \$ 78,970 | \$ 17,194 | \$ 99,763 |

4. FINANCING

Under Section 16(4) of the Assessment Authority Act, the Authority may, "pending receipt of the proceeds of the taxes, borrow an amount not exceeding the proceeds of the taxes...and the loan shall be repaid from the proceeds of the taxes."

The maximum borrowings by the Authority outstanding at any time in 1988 were \$12,387,900 [1987: \$12,930,000].

BRITISH COLUMBIA ASSESSMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1988

5. OBLIGATIONS UNDER CAPITAL LEASES

The following is a schedule of future minimum lease payments under capital leases expiring in the years indicated which, after excluding interest, comprises obligations under capital leases.

| | |
|----------------------------------|------------------|
| 1989 | \$ 17,007 |
| 1990 | 697 |
| | ----- |
| Total minimum lease payments | 17,704 |
| <u>Less:</u> amount representing | |
| interest at various rates | |
| from 10% to 21% | 528 |
| | ----- |
| Balance of the obligations | <u>\$ 17,176</u> |

6. EXTRAORDINARY ITEM - MAJOR INDUSTRIAL PROPERTIES VALUATION PROJECT

The Assessment Amendment Act, 1987 established a new class of properties consisting of industrial improvements, as defined in Section 26.2 of the Assessment Act, and the land used in conjunction with the operation of those industrial improvements. Actual values of improvements within this class are determined in accordance with costing manuals and depreciation rates prescribed by the Lieutenant-Governor in Council. To conform to the legislation, the Authority, during 1987, began work on the preparation of costing manuals and on the reinventorying of the improvements falling within the definition of the new class. A reserve of \$690,000 was allocated from surplus and the work completed in 1988 as specified in the legislation. Salaries and benefits associated with this project have been charged to the general salary and benefit accounts.

7. PROVINCE OF BRITISH COLUMBIA GRANT

The Authority, as indicated in Section 15(4) of the Assessment Authority Act, may receive an annual operating grant as appropriated by the Legislature. In 1988, this amount was \$6,867,200 [1987: \$6,700,000].

BRITISH COLUMBIA ASSESSMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1988

8. TAX LEVIES

The Authority by by-law, and subject to the prior approval of the Lieutenant-Governor in Council, each year imposes and levies a tax upon all taxable property in the Province, except on the property of British Columbia Hydro and Power Authority. A copy of this by-law is forwarded to the Tax Collector of every municipality in the Province and to the Surveyor of Taxes so that the taxes so levied will be placed on the tax rolls. The proceeds of the taxes so levied and collected by the municipalities or the Minister of Finance and Corporate Relations constitute the Authority's tax levies revenue.

Under Section 15(4) of the Assessment Authority Act, the Authority's annual tax levies are to be "at rates sufficient to maintain the operating fund." The operating fund is defined under Section 15(3) as "the total amount required to meet the annual operating and capital expenses of the Authority." Section 15(4) further specifies that in determining the rate of taxation to be levied "the Authority shall take into account the amount of the annual operating grant."

Based on the above, there was levied on all taxable property in the Province, except on the property of British Columbia Hydro and Power Authority, a tax on each class of property at a rate as set out below:

| <u>1988</u> | | <u>1987</u> | |
|---|--|---|--|
| Class of Property Prescribed under Section 26 of the Assessment Act | Rate of Tax Applied Against each \$1000 of Net Taxable Value of Property | Class of Property Prescribed under Section 26 of the Assessment Act | Rate of Tax Applied Against each \$1000 of Net Taxable Value of Property |
| 1 Residential | .1841 | 1 Residential | .1841 |
| 2 Utilities | .6444 | 2 Utilities | .6444 |
| 3 Unmanaged Forest | .7364 | 3 Forestry | .7364 |
| 4 Major Industrial | .6259 | 4 - | Nil |
| 5 Light Industry | .6259 | 5 Industrial | .6259 |
| 6 Business & Other | .4510 | 6 Business & Other | .4510 |
| 7 Managed Forest | .5523 | 7 Tree Farm | 1.4728 |
| 8 Recreational/ non-profit | .1841 | 8 Recreational/ non-profit | .1841 |
| 9 Farm | .1841 | 9 Farm | .1841 |

For 1987, Class 4, previously the Machinery and Equipment class, was not used.

9. COMMITMENTS

The Authority is committed to make the following payments on buildings and equipment under operating leases for periods of more than one year:

| | |
|------|--------------------|
| 1989 | \$1,778,327 |
| 1990 | 1,062,277 |
| 1991 | 542,634 |
| 1992 | 310,728 |
| 1993 | 9,416 |
| | ----- |
| | <u>\$3,703,382</u> |

BRITISH COLUMBIA BUILDINGS CORPORATION**ARTHUR ANDERSEN & Co.****CHARTERED ACCOUNTANTS**

2300 GUINNESS TOWER
1055 WEST HASTINGS STREET
VANCOUVER, CANADA
V6E 2J2

AUDITORS' REPORT

*To the Lieutenant-Governor-in-Council
Province of British Columbia*

We have examined the balance sheet of British Columbia Buildings Corporation as at March 31, 1989 and the related statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of British Columbia Buildings Corporation as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The financial statements as of March 31, 1988 were audited by other auditors whose report dated May 5, 1988 expressed an unqualified opinion on those statements.

Arthur Andersen & Co.

CHARTERED ACCOUNTANTS

*Vancouver, Canada
May 5, 1989*

BRITISH COLUMBIA BUILDINGS CORPORATION

BALANCE SHEET

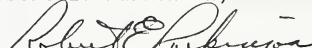
| | | March 31 | |
|---|------|----------------|----------------|
| | Note | 1989 | 1988 |
| | | \$'000's | |
| ASSETS | | | |
| Real estate investments | | | |
| Income-producing properties | 2 | 531,692 | 519,660 |
| Income-producing properties under construction | 3 | 64,054 | 34,804 |
| Land held for development | 4 | <u>7,753</u> | <u>7,842</u> |
| | | 603,499 | 562,306 |
| Corporate properties and equipment | 5 | 7,731 | 8,512 |
| Unamortized debt discount and issue expenses | | 4,390 | 6,903 |
| Other assets | 6 | <u>28,262</u> | <u>14,279</u> |
| | | <u>643,882</u> | <u>592,000</u> |
| LIABILITIES | | | |
| Long-term debt | 7 | 319,783 | 347,529 |
| Notes payable to the Province of British Columbia | 8 | 22,487 | 32,793 |
| Short-term debt | 9 | 111,019 | 42,090 |
| Other liabilities | 10 | 81,010 | 65,441 |
| EQUITY | | | |
| Contributions by the Province of British Columbia | 11 | 55,528 | 55,538 |
| Retained earnings | | <u>54,055</u> | <u>48,609</u> |
| | | <u>643,882</u> | <u>592,000</u> |
| Commitments | 12 | | |

On Behalf of the Board:

James Chabot, Director



Robert E. Parkinson, Director



The accompanying notes are an integral part of these statements.

BRITISH COLUMBIA BUILDINGS CORPORATION

STATEMENT OF INCOME

| | Note | Year ended March 31 | |
|----------------------------|------|---------------------|----------------|
| | | 1989 | 1988 |
| | | \$000's | |
| REVENUE | | | |
| Rentals | | 235,741 | 231,747 |
| Other income | | <u>24,384</u> | <u>18,357</u> |
| | | <u>260,125</u> | <u>250,104</u> |
| EXPENSES | | | |
| Property management | | 68,500 | 67,630 |
| Leases | | 53,961 | 51,211 |
| Depreciation | | 31,003 | 29,805 |
| Energy | | 13,210 | 14,063 |
| Property taxes and grants | | 11,230 | 11,118 |
| General and administrative | | <u>8,408</u> | <u>8,883</u> |
| | | <u>186,312</u> | <u>182,710</u> |
| INCOME BEFORE INTEREST | | 73,813 | 67,394 |
| Interest | 13 | <u>45,655</u> | <u>44,429</u> |
| NET INCOME | | <u>28,158</u> | <u>22,965</u> |

STATEMENT OF RETAINED EARNINGS

| | Year ended March 31 | |
|----------------------------|---------------------|---------------|
| | 1989 | 1988 |
| | \$000's | |
| Balance, beginning of year | 48,609 | 48,609 |
| Net income | <u>28,158</u> | <u>22,965</u> |
| | 76,767 | 71,574 |
| Dividend | <u>22,712</u> | <u>22,965</u> |
| Balance, end of year | <u>54,055</u> | <u>48,609</u> |

The accompanying notes are an integral part of these statements.

BRITISH COLUMBIA BUILDINGS CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION

| | Year ended March 31 | |
|--|---------------------|-----------------|
| | 1989 | 1988 |
| | \$'000's | |
| OPERATING ACTIVITIES | | |
| Net income | 28,158 | 22,965 |
| Non-cash items - depreciation and amortization | 33,516 | 32,919 |
| - gains on disposal of properties | (6,600) | (2,134) |
| Other assets and liabilities, net change | <u>12,683</u> | <u>(2,602)</u> |
| | <u>67,757</u> | <u>51,148</u> |
| FINANCING ACTIVITIES | | |
| Long-term debt issued | - | 27,300 |
| Long-term debt repayments | (11,476) | (11,444) |
| Increase in sinking funds | (16,270) | (10,336) |
| Decrease in notes payable to the Province | (10,306) | (10,305) |
| Increase in short-term debt | <u>68,929</u> | <u>6,730</u> |
| | <u>30,877</u> | <u>1,945</u> |
| INVESTMENT ACTIVITIES | | |
| Real estate investments | (76,564) | (57,180) |
| Sale proceeds from disposal of properties | 13,318 | 11,761 |
| Corporate properties and equipment | <u>(1,579)</u> | <u>(2,898)</u> |
| | <u>(64,825)</u> | <u>(48,317)</u> |
| DIVIDENDS | | |
| Dividend declared | (22,712) | (22,965) |
| Increase (decrease) in dividend payable | <u>(253)</u> | <u>20,320</u> |
| | <u>(22,965)</u> | <u>(2,645)</u> |
| INCREASE IN CASH AND CASH EQUIVALENTS | <u>10,844</u> | <u>2,131</u> |

The accompanying notes are an integral part of these statements.

BRITISH COLUMBIA BUILDINGS CORPORATION**NOTES TO THE FINANCIAL STATEMENTS****March 31, 1989****(All amounts in \$000's)**

1. Accounting Policies

The Corporation is incorporated under the British Columbia Buildings Corporation Act as a Crown Corporation of the Province of British Columbia, and is an agent of the Crown.

(a) Real Estate Investments

Real estate investments and corporate properties and equipment are recorded at cost less accumulated depreciation. In addition to land and direct costs, amounts capitalized to real estate investments during development and construction include property taxes and the applicable portion of both interest on general borrowings and general and administrative expenses.

(b) Depreciation

Real estate investments and corporate properties and equipment are depreciated on an individual basis by the straight-line method over their estimated useful lives or lease terms. Depreciation is prorated by month in the year of acquisition or disposal.

The estimated useful lives or lease terms of income-producing and corporate properties are between five and forty years. The estimated useful lives of all other assets are between three and ten years.

(c) Income Taxes

The Corporation is exempt from Federal and Provincial income taxes.

(d) Sinking Funds

Payments made to sinking funds with respect to retirement provisions of sinking fund bonds and debentures, together with accumulated sinking fund earnings, are netted against the related debt. The related sinking funds will be applied against the bonds or debentures when they are redeemed and cancelled. Interest earned on the sinking funds is treated as interest income with a corresponding increase in the sinking funds.

(e) Amortization of Debt Discount and Issue Expenses

Debt discount is amortized by the effective rate of interest method and issue expenses are amortized on a straight-line basis, both over the terms of the applicable debt.

(f) Cash and Cash Equivalents

Cash and cash equivalents for purposes of the Statement of Changes in Financial Position includes cash and temporary investments, net of bank indebtedness.

(g) Rentals Received in Advance

Rentals received in advance will be amortized using the effective rate of interest method over a period of approximately ten years.

BRITISH COLUMBIA BUILDINGS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1989

| 2. <u>Income-Producing Properties</u> | 1989 | 1988 |
|---|------------------|------------------|
| | \$000's | |
| Net book value: | | |
| Cost | 746,733 | 710,317 |
| Accumulated depreciation | <u>(215,041)</u> | <u>(190,657)</u> |
| | <u>531,692</u> | <u>519,660</u> |
| Activity: | | |
| Net book value, beginning of year | 519,660 | 518,921 |
| Properties transferred from income-producing properties under construction | 45,370 | 32,038 |
| Disposals | <u>(5,346)</u> | <u>(4,892)</u> |
| Depreciation expense | <u>(27,992)</u> | <u>(26,407)</u> |
| Net book value, end of year | <u>531,692</u> | <u>519,660</u> |
| 3. <u>Income-Producing Properties Under Construction</u> | | |
| Balance, beginning of year | 34,804 | 11,670 |
| Direct development and construction costs | 67,101 | 50,299 |
| Capitalization of: | | |
| Interest | 3,743 | 1,372 |
| General and administrative expenses | 3,776 | 3,501 |
| Cost of properties completed and transferred to income-producing properties | <u>(45,370)</u> | <u>(32,038)</u> |
| Balance, end of year | <u>64,054</u> | <u>34,804</u> |
| 4. <u>Land Held For Development</u> | | |
| Balance, beginning of year | 7,842 | 10,521 |
| Capitalization of interest and property tax | 79 | 188 |
| Disposals | <u>(168)</u> | <u>(2,867)</u> |
| Balance, end of year | <u>7,753</u> | <u>7,842</u> |

BRITISH COLUMBIA BUILDINGS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1989

| 5. <u>Corporate Properties and Equipment</u> | 1989 | 1988 |
|---|-----------------|-----------------|
| | <u>\$000's</u> | |
| Cost: | | |
| Office and data processing equipment | 11,240 | 11,943 |
| Corporate properties and leasehold improvements | 3,191 | 3,102 |
| Maintenance equipment | 2,443 | 2,387 |
| Vehicles | <u>3,244</u> | <u>2,953</u> |
| | 20,118 | 20,385 |
| Accumulated depreciation | <u>(12,387)</u> | <u>(11,873)</u> |
| | <u>7,731</u> | <u>8,512</u> |
| 6. <u>Other Assets</u> | | |
| Temporary Investments, at cost, with the Province of British Columbia | 11,000 | - |
| Accounts receivable | | |
| - Province of British Columbia | 13,464 | 9,835 |
| - Other | 2,428 | 2,364 |
| Prepaid expenses | <u>1,370</u> | <u>2,080</u> |
| | <u>28,262</u> | <u>14,279</u> |

BRITISH COLUMBIA BUILDINGS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1989

| 7. <u>Long-Term Debt</u> | <u>1989</u> | <u>1988</u> |
|--|-----------------|-----------------|
| | <u>\$000's</u> | |
| Principal outstanding: | | |
| 27 series at an average effective interest rate of 11.96% (1988 - 27 series at an average effective interest rate of 11.93%) | 394,621 | 406,097 |
| Sinking funds on deposit with the Minister of Finance and Corporate Relations for British Columbia, relating to long-term debt of \$313,041 (1988 - \$313,041) | <u>(74,838)</u> | <u>(58,568)</u> |
| | <u>319,783</u> | <u>347,529</u> |

At March 31, 1989, the coupon rates on the long-term debt ranged from 8.50% to 15.69% (1988 - 8.50% to 15.69%).

Of the long-term debt outstanding, \$193,000 (1988 - \$193,000) is payable to the Minister of Finance and Corporate Relations for British Columbia. The Province has unconditionally guaranteed the principal and interest of all other long-term debt issued by the Corporation.

At the option of the Minister of Finance for Canada, Sinking Fund Debentures with an aggregate principal of \$165,041 maturing between 1997 and 2003 may be called prior to maturity under certain conditions on six months written notice.

Principal payments, net of projected sinking fund balances at maturity, and sinking fund payments for each of the next five years:

| | |
|---------|---------|
| | \$000's |
| 1989/90 | 66,584 |
| 1990/91 | 21,583 |
| 1991/92 | 45,405 |
| 1992/93 | 16,392 |
| 1993/94 | 5,023 |

BRITISH COLUMBIA BUILDINGS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1989

8. Notes Payable to the Province of British Columbia

The promissory notes are non-interest bearing, callable on 30 days notice, and repayable semi-annually in varying amounts to March 31, 1992, as follows:

| | \$000's |
|---------|---------------|
| 1989/90 | 10,306 |
| 1990/91 | 10,306 |
| 1991/92 | <u>1,875</u> |
| | <u>22,487</u> |

9. Short-Term Debt

The interest rates on short-term debt range from 11.09% to 12.87% (1988 - 8.35% to 8.63%), and result in an effective interest rate of 11.92% (1988 - 8.54%) for the notes outstanding. Included in short-term notes is \$102,154 payable to the Minister of Finance and Corporate Relations for British Columbia. These notes mature at varying dates to November 24, 1989.

10. Other Liabilities

| | 1989 | 1988 |
|--|---------------|---------------|
| | \$000's | |
| Due to bank, unsecured | 1,387 | 1,231 |
| Accounts payable and accrued liabilities | 25,852 | 25,450 |
| Holdbacks | 4,623 | 2,829 |
| Accrued interest payable: | | |
| - Province of British Columbia | 7,961 | 6,646 |
| - Other | 6,218 | 6,320 |
| Rentals received in advance from the Province of British Columbia | 12,257 | - |
| Dividend payable | <u>22,712</u> | <u>22,965</u> |
| | <u>81,010</u> | <u>65,441</u> |

11. Contributions by the Province of British Columbia

| | | |
|-------------------------------|---------------|---------------|
| Balance, beginning of year | 55,538 | 55,579 |
| Land returned to the Province | <u>10</u> | <u>41</u> |
| Balance, end of year | <u>55,528</u> | <u>55,538</u> |

BRITISH COLUMBIA BUILDINGS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1989

12. Commitments

The Corporation estimates that the cost to complete projects under construction will be \$123,000 of which \$92,000 has been committed.

The Corporation has entered into leases with third parties to provide space for its client ministries and its head office for varying periods up to the year 2037, at a total aggregate net rental of approximately \$163,000. Most leases are for between five and ten years and include renewal options.

Minimum annual lease payments which will be charged to operations in subsequent years, for leases committed at March 31, 1989:

| | \$000's |
|--------------|----------------|
| 1989/90 | 42,000 |
| 1990/91 | 36,000 |
| 1991/92 | 27,000 |
| 1992/93 | 21,000 |
| 1993/94 | 12,000 |
| Post 1993/94 | <u>25,000</u> |
| | <u>163,000</u> |

13. Interest

| | <u>1989</u> | <u>1988</u> |
|--|---------------|---------------|
| | \$000's | |
| Interest on long-term debt | 45,433 | 44,108 |
| Other interest | 7,987 | 3,645 |
| Amortization of debt discount and issue expenses | <u>2,513</u> | <u>3,113</u> |
| | <u>55,933</u> | <u>50,866</u> |
| Deduct: | | |
| Interest earned | 6,499 | 4,915 |
| Interest capitalized | <u>3,779</u> | <u>1,522</u> |
| | <u>10,278</u> | <u>6,437</u> |
| | <u>45,655</u> | <u>44,429</u> |

BRITISH COLUMBIA BUILDINGS CORPORATION**NOTES TO THE FINANCIAL STATEMENTS**March 31, 1989

14. Related Party Transactions

The Corporation received 87% of its total revenues from Provincial Government ministries. These revenues consist primarily of rents that are determined with reference to market; however, in such cases where comparable market rates do not exist, rents are based on the amortization of the capital costs.

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT


To the Chairman and Members of the
British Columbia Educational Institutions Capital
Financing Authority, and

To the Minister of Finance and Corporate Relations,
Province of British Columbia:

I have examined the balance sheet of the British Columbia Educational Institutions Capital Financing Authority as at March 31, 1989 and the statements of financing and lending activities and changes in sinking funds for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1989 and the results of its operations and changes in sinking funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Educational Institution Capital Finance Act. In my opinion, these transactions were, in all significant respects, in compliance with the Act.


George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
May 24, 1989

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

BALANCE SHEET

AS AT MARCH 31, 1989

ASSETS


| | In Thousands | |
|------------------------------|------------------|------------------|
| | <u>1989</u> | <u>1988</u> |
| Loans receivable (note 3) | \$481,958 | \$445,978 |
| Less: Sinking funds (note 5) | <u>104,971</u> | <u>83,937</u> |
| | 376,987 | 362,041 |
| Accrued interest receivable | <u>19,337</u> | <u>18,189</u> |
| | <u>\$396,324</u> | <u>\$380,230</u> |

LIABILITIES

| | | |
|------------------------------|------------------|------------------|
| Term debt (note 4) | \$481,958 | \$445,978 |
| Less: Sinking funds (note 5) | <u>104,971</u> | <u>83,937</u> |
| | 376,987 | 362,041 |
| Accrued interest payable | <u>19,337</u> | <u>18,189</u> |
| | <u>\$396,324</u> | <u>\$380,230</u> |

The five accompanying notes are an integral part of these financial statements.

Approved by the Authority:


 Mel Couvelier, Chairman


 Philip G. Halkett, Secretary

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY
STATEMENT OF FINANCING AND LENDING ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 1989

| | In Thousands | |
|------------------------------|-----------------|-----------------|
| | <u>1989</u> | <u>1988</u> |
| Funds generated from | | |
| Interest on loans receivable | \$60,230 | \$57,949 |
| Debentures issued | <u>35,980</u> | <u>6,906</u> |
| | <u>\$96,210</u> | <u>\$64,855</u> |
| Funds applied to | | |
| Interest on term debt | \$60,230 | \$57,949 |
| Loans issued | <u>35,980</u> | <u>6,906</u> |
| | <u>\$96,210</u> | <u>\$64,855</u> |

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY
STATEMENT OF CHANGES IN SINKING FUNDS
FOR THE YEAR ENDED MARCH 31, 1989

| | In Thousands | |
|----------------------------------|------------------|-----------------|
| | <u>1989</u> | <u>1988</u> |
| Increase | | |
| Instalments | \$ 12,311 | \$12,160 |
| Investment income | <u>8,787</u> | <u>6,234</u> |
| | <u>21,098</u> | <u>18,394</u> |
| Decrease | | |
| Funds management fees (note 5) | <u>64</u> | <u>54</u> |
| Net increase in Sinking Funds | 21,034 | 18,340 |
| Sinking Funds, Beginning of Year | <u>83,937</u> | <u>65,597</u> |
| Sinking Funds, End of Year | <u>\$104,971</u> | <u>\$83,937</u> |

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

1. The Authority

The Authority was established by the Educational Institution Capital Finance Act, R.S.B.C. 1979, Chapter 102, as amended. Section 3 of the Act states "The purpose of the authority is to lend money to designated educational institutions to finance their capital expenditures".

The loans made by the Authority to the educational institutions are financed by, and have interest rates and maturity dates identical to, the borrowing of the Authority itself.

2. Significant accounting policies

a) Sinking fund investments

- i) Units in Province of British Columbia Pooled Investment Portfolios are carried at the lower of cost of acquisition, adjusted by income attributed to the units, and market value.
- ii) Long-term investments are valued at cost of acquisition adjusted by amortization of discounts and premiums on a constant yield basis over the remaining terms of the investments.

3. Loans receivable

Loans receivable of \$451,694,000 (1988: \$415,714,000) are redeemable in whole or in part before maturity, on five months' notice, at the option of the Chairman of the Authority. Further loans receivable of \$5,188,000 (1988: \$5,188,000) are redeemable in whole or in part before maturity, on thirty days' notice, at the option of the Chairman of the Authority. The remaining loans receivable of \$25,075,662 (1988: \$25,075,662) are not redeemable before maturity.

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

| 4. Term debt | In Thousands | |
|-------------------------------------|------------------|------------------|
| | <u>1989</u> | <u>1988</u> |
| Held by: | | |
| Canada Pension Plan Investment Fund | | |
| 9.13% to 17.51% debentures, | | |
| due 1998 through 2008 | \$450,669 | \$414,689 |
| Province of British Columbia | | |
| Pension Funds | | |
| 10.875% and 11.75% debentures, | | |
| due 1989 and 1993 | 4,772 | 4,772 |
| Province of British Columbia | | |
| 9.00% to 13.5% debentures, | | |
| due 1989 through 1993 | 26,517 | 26,517 |
| | <u>\$481,958</u> | <u>\$445,978</u> |

Debentures issued to the Canada Pension Plan Investment Fund are redeemable in whole or in part before maturity, on six months' notice, at the option of the Minister of Finance of Canada, subject to certain restrictions.

Debentures issued to the Province of British Columbia of \$5,188,000 (1988: \$5,188,000) are redeemable in whole or in part before maturity, on thirty days' notice, at the option of the Minister of Finance and Corporate Relations of the Province of British Columbia. The remaining debentures issued to the Province of British Columbia of \$21,328,662 (1988: \$21,328,662) are not redeemable before maturity.

Debentures maturing in the next five fiscal years are as follows:

| In Thousands | |
|--------------|----------|
| 1990 | \$ 4,213 |
| 1991 | 7,022 |
| 1992 | 13,827 |
| 1993 | - |
| 1994 | 6,227 |

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

4. Term debt (continued)

Sinking fund instalments due in the next five fiscal years are as follows:

| In Thousands | |
|--------------|----------|
| 1990 | \$13,097 |
| 1991 | 12,807 |
| 1992 | 12,548 |
| 1993 | 10,682 |
| 1994 | 10,682 |

The Province of British Columbia has unconditionally guaranteed the payment of principal and interest on \$455,441,000 (1988: \$419,461,000) of the debt of the Authority.

5. Sinking funds

In Thousands

| | <u>1989</u> | <u>1988</u> |
|--|------------------|-----------------|
| Units in Province of British Columbia | | |
| Pooled Investment Portfolio (at market) | \$ 71,501 | \$55,870 |
| Long-term investments | 22,611 | 20,788 |
| (market value \$20,688,312; 1988: \$19,698,734) | | |
| Accrued interest | 378 | 249 |
| Other assets | <u>10,498</u> | <u>7,048</u> |
| | 104,988 | 83,955 |
| Less: Accounts payable | <u>17</u> | <u>18</u> |
| | <u>\$104,971</u> | <u>\$83,937</u> |

Sinking fund instalments received from the educational institutions in respect of their debt to the Authority, together with the investment income earned thereon, are placed in sinking funds maintained by the trustee, the Minister of Finance and Corporate Relations. These funds provide for the retirement of educational institutions' debt and in turn, for the retirement of the debt of the Authority at maturity.

Long-term investments consist primarily of bonds of the Government of Canada, various provinces and Crown corporations.

Other assets represent the share of funds held in the Province's fiscal agency loan program sinking fund. The fund consists of investments in the Province of British Columbia Pooled Investment Portfolio ST2.

Funds management fees have been charged to the sinking funds of the Authority by the Minister of Finance and Corporate Relations in accordance with Section 39(4) of the Financial Administration Act. These fees are based on the market value of sinking fund assets and are charged on a quarterly basis during the year.

BRITISH COLUMBIA ENTERPRISE CORPORATION

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Shareholder of British Columbia Enterprise Corporation, and

To the Minister of Government Management Services,
Province of British Columbia

I have examined the consolidated balance sheet of British Columbia Enterprise Corporation as at March 31, 1989 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Corporation as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The comparative figures for the year ended March 31, 1988 are based upon consolidated financial statements reported on by other auditors.

A handwritten signature in dark ink, reading "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
May 12, 1989

BRITISH COLUMBIA ENTERPRISE CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 1989

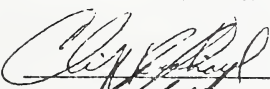
| | 1989 | 1988 |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash | \$ 7,614,382 | \$ 2,725,693 |
| Short-term deposits | 19,693,878 | 93,492,667 |
| Accounts receivable | 5,327,725 | 2,304,752 |
| Agreements for sale and mortgages receivable | 3,255,700 | 14,216,964 |
| Net investment in sales-type leases (Note 3) | 7,527,400 | 4,983,738 |
| Property held for sale (Note 4) | 49,205,430 | 220,497,986 |
| Industrial loans receivable (Note 5) | - | 149,580,499 |
| Other assets | 273,585 | 507,893 |
| Special loans programs (Note 6) | - | 73,933,846 |
| | <u>\$ 92,898,100</u> | <u>\$562,244,038</u> |

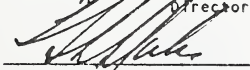
| | | |
|--|-------------------|--------------------|
| LIABILITIES | | |
| Accounts payable, deposits and accrued liabilities | \$ 13,233,054 | \$ 19,734,383 |
| Debt (Note 7) | 54,903,377 | 161,298,553 |
| Special loans programs (Note 6) | - | 73,933,846 |
| | <u>68,136,431</u> | <u>254,966,782</u> |

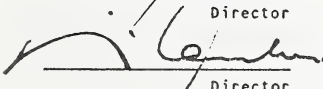
| | | |
|--------------------------------------|----------------------|----------------------|
| SHAREHOLDER'S EQUITY | | |
| Share capital (Note 8) | 2 | 2 |
| Contributed surplus (Note 9) | - | 300,326,032 |
| Appraisal increase credits (Note 10) | 3,957,876 | 4,503,250 |
| Retained earnings | <u>20,803,791</u> | <u>2,447,972</u> |
| | <u>24,761,669</u> | <u>307,277,256</u> |
| | <u>\$ 92,898,100</u> | <u>\$562,244,038</u> |

Commitments and contingencies (Note 14)
 Subsequent events (Note 15)

APPROVED BY THE BOARD OF DIRECTORS


 Director


 Director


 Director

BRITISH COLUMBIA ENTERPRISE CORPORATION

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 1989

| | 1989 | 1988 |
|---|----------------------|---------------------|
| REVENUE | | |
| Land sales and leases (Note 11) | \$174,380,293 | \$ 22,041,695 |
| Transfer of rights to public participation funding (Note 11) | 20,000,000 | - |
| Lease financing | 978,985 | 527,485 |
| Rental | 2,393,448 | 3,654,860 |
| Loan interest and commitment fees | 19,932,958 | 19,237,833 |
| Loan management fees | 645,342 | 720,699 |
| Interest | 9,187,654 | 6,749,639 |
| Other | <u>7,406,830</u> | <u>4,854,464</u> |
| | <u>234,925,510</u> | <u>57,786,675</u> |
| EXPENSES | | |
| Cost of land sales and leases | 164,830,126 | 18,437,734 |
| Interest | 11,616,923 | 21,112,324 |
| Staff remuneration | 3,818,737 | 4,828,318 |
| Professional services | 3,901,748 | 4,394,145 |
| Marketing | 783,078 | 836,496 |
| Utilities and maintenance | 639,642 | 570,103 |
| Office overhead | 1,072,785 | 1,362,940 |
| Taxes, grants in lieu of taxes and licenses | 2,621,125 | 1,890,630 |
| Transportation | 88,766 | 99,336 |
| Corporate insurance | 105,560 | 390,334 |
| Depreciation and amortization | 532,845 | 792,229 |
| Miscellaneous | <u>107,476</u> | <u>624,114</u> |
| | 190,118,811 | 55,338,703 |
| Reversal of provision for doubtful loans | <u>(14,801,745)</u> | <u>-</u> |
| | <u>175,317,066</u> | <u>55,338,703</u> |
| NET EARNINGS FROM OPERATIONS BEFORE EXTRAORDINARY ITEM | 59,608,444 | 2,447,972 |
| Extraordinary item (Note 12) | <u>1,364,847</u> | <u>-</u> |
| NET EARNINGS FOR THE YEAR | 60,973,291 | 2,447,972 |
| RETAINED EARNINGS - BEGINNING OF YEAR | 2,447,972 | - |
| Dividends | (43,162,846) | - |
| Transfer from appraisal increase credits (Note 10) | <u>545,374</u> | <u>-</u> |
| RETAINED EARNINGS - END OF YEAR | <u>\$ 20,803,791</u> | <u>\$ 2,447,972</u> |

BRITISH COLUMBIA ENTERPRISE CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 1989

| | 1989 | 1988 |
|---|----------------------|----------------------|
| CASH PROVIDED FROM (USED FOR) | | |
| OPERATING ACTIVITIES | | |
| Net earnings before extraordinary item | \$ 59,608,444 | \$ 2,447,972 |
| Non-cash items - Add (deduct): | | |
| Depreciation and amortization | 532,845 | 792,229 |
| Deferred revenue (included in accounts payable) | <u>(2,743,236)</u> | <u>(1,015,316)</u> |
| | 57,398,053 | 2,224,885 |
| Extraordinary Item | 1,364,847 | - |
| Changes in non-cash working capital | | |
| Property held for sale | 171,292,556 | 18,027,752 |
| Industrial loans receivable | 149,580,499 | (4,859,499) |
| Accounts receivable, agreements for sale and net investment in sales-type leases | 5,096,092 | 12,711,542 |
| Accounts payable, deposits and accrued liabilities | <u>(3,758,093)</u> | <u>(3,085,977)</u> |
| | <u>380,973,954</u> | <u>25,018,703</u> |
| FINANCING ACTIVITY | | |
| (Decrease) in contributed surplus | (300,326,032) | - |
| Net (decrease) increase in debt | <u>(106,395,176)</u> | <u>62,124,657</u> |
| | <u>(406,721,208)</u> | <u>62,124,657</u> |
| OTHER ACTIVITY | | |
| Dividends paid | <u>(43,162,846)</u> | - |
| (DECREASE) INCREASE IN CASH AND SHORT-TERM DEPOSITS | (68,910,100) | 87,143,360 |
| CASH AND SHORT-TERM DEPOSITS - BEGINNING OF YEAR | <u>96,218,360</u> | <u>9,075,000</u> |
| CASH AND SHORT-TERM DEPOSITS - END OF YEAR | <u>\$ 27,308,260</u> | <u>\$ 96,218,360</u> |

BRITISH COLUMBIA ENTERPRISE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

1. THE CORPORATION AND BASIS OF PRESENTATION

British Columbia Enterprise Corporation (the Corporation) was incorporated under the Company Act of British Columbia as British Columbia Place Ltd., a provincial Crown corporation having special powers under the British Columbia Place Act (now the British Columbia Enterprise Corporation Act). Under the Act, the assets of the Corporation belong to the Crown in right of the Province of British Columbia (the Province) but may be dealt with and disposed of without reference to the Province.

Pursuant to provincial legislation, the Corporation was renamed and, effective March 31, 1987, acquired the assets, liabilities and responsibilities for associated operations of British Columbia Development Corporation. Also, effective March 31, 1987, the Corporation transferred certain assets to its wholly-owned subsidiary, B.C. Pavilion Corporation, and then transferred ownership of that subsidiary to the Province of British Columbia. In addition, the legislation provided for the financial restructuring of the Corporation effective March 31, 1987.

The current mandate of the Corporation is to privatize ownership of its assets and operations by various sale processes to achieve fair value for the shareholder. The Province may direct the Corporation to exclude from sale certain assets and operations, due to their special nature or to public policy considerations, and to transfer them to others for ongoing administration. These financial statements have been prepared on a going-concern basis that does not take into account potential gains or losses on the disposal of certain assets and the settlement of liabilities that would result if the Corporation were to be wound-up. It is the intention of the shareholder to wind-up the Corporation in the subsequent period.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, W.L.C. Developments Limited, The First Capital City Development Company Limited, Lonsdale Quay Development Company Limited and Duke Point Development Limited. W.L.C. Developments Limited includes the accounts of its wholly-owned subsidiaries, Whistler Golf Ltd. and Whistler Conference Center Inc.

During the year, W.L.C. Developments Limited sold its investment in a wholly-owned subsidiary, Whistler Village Land Co. Ltd. At the date of the sale, the net assets of the subsidiary were \$400,333.

(b) Property Held for Sale

i) Land and Improvements

Land and improvements, other than public facilities, are recorded at the lower of cost, less any accumulated depreciation charged on revenue-producing assets, and estimated net realizable value. For properties not anticipated to be sold, the estimated net realizable value is determined to equal the book values at which they will be transferred to the Province or others on the winding up of

BRITISH COLUMBIA ENTERPRISE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

i) Land and Improvements (cont'd.)

the Corporation. The Corporation capitalizes all direct acquisition, construction and development costs relating to land and improvements. Administrative overheads, financing charges and other carrying costs are not capitalized.

ii) Public Facilities

The Corporation capitalizes all direct acquisition, construction and development costs, together with carrying costs. The carrying costs include interest, grants in lieu of property taxes, other related costs and the applicable portion of general and administrative expenses which were incurred during the construction of these assets.

The Whistler Conference Centre is recorded at estimated replacement cost, as appraised by Phillips, Barrett, Kaiser Engineering Ltd. at November 25, 1985, plus the actual cost of additions to date, less a provision for potential loss on disposal.

The Whistler parking structures are recorded at estimated replacement cost, as appraised by Grover, Elliott & Co. Ltd. at January 21, 1985, less a provision for potential loss on disposal. There have been no additions to the parking structures since the date of the appraisal.

Other public facilities are recorded at cost, less a provision for potential loss on disposal.

(c) Depreciation

No depreciation is provided against public facilities, which are leased for nominal amounts and are considered non-revenue-producing.

Buildings which are considered to be revenue-producing are depreciated on a straight-line basis over their estimated useful lives.

Other assets, primarily office furniture and equipment, are depreciated on a straight-line basis over their estimated useful lives.

(d) Amortization of Deferred Charges

Debt discount on long-term borrowings is deferred and amortized on a straight-line basis over the term of the debt.

(e) Accounting for Land Sales and Sales-type Leases

Revenue from land sales and sales-type leases is recognized when all material requirements related to the transactions have been met and cash or appropriate security equal to at least 10% of the total proceeds has been received.

BRITISH COLUMBIA ENTERPRISE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(e) Accounting for Land Sales and Sales-type Leases (cont'd.)

Land leases for periods of 65 to 99 years, where all revenue is received within the first three years and where no costs or risks with respect to the land are retained by the Corporation, are accounted for using the method prescribed for sales-type leases. Under this method, income or loss is recognized at the inception of the lease as though the land had been sold.

(f) Income Taxes

The Corporation is exempt from federal and provincial income taxes.

3. NET INVESTMENT IN SALES-TYPE LEASES

Land leases which convey substantially all the benefits and risks of ownership of the land to the lessee have been classified as sales-type leases.

The net investment in these leases is carried at the present value of the minimum lease payments receivable over the lease term, and is equal to the current option price at which the lessee may acquire the property under lease.

Finance income related to these leases is recognized in a manner that produces, over the lease term, a constant rate of return on investment in the lease.

4. PROPERTY HELD FOR SALE

Property held for sale is comprised of the following:

| | 1989 | 1988 |
|---|----------------------|----------------------|
| Land and improvements | \$ 44,942,473 | \$162,492,384 |
| Public facilities and related equipment, net of provision for potential loss on disposal | <u>4,262,957</u> | <u>58,005,602</u> |
| | <u>\$ 49,205,430</u> | <u>\$220,497,986</u> |

5. INDUSTRIAL LOANS RECEIVABLE

During the year, all of the Corporation's industrial loans receivable and loan agreements were either sold to third parties for fair value or transferred at current book value, at the direction of the shareholder, to the Province.

6. SPECIAL LOANS PROGRAMS

Special loans programs comprise loans advanced by the Corporation from funds loaned by the Province for which the Province is at risk for all principal and accrued interest. During the year, the loans were either sold to third parties for fair value or transferred at current book value to the Province at its request.

BRITISH COLUMBIA ENTERPRISE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

6. SPECIAL LOANS PROGRAMS (cont'd.)

With the transfer of these loans to the Province, the Corporation has ceased to act as agent for the administration of the programs.

7. DEBT

Debt, except for a debenture in the amount of \$1,115,697 in 1988, is all due to, or guaranteed by the Province, and is comprised of the following:

| | 1989 | 1988 |
|----------------------------------|----------------------|----------------------|
| Principal - long-term borrowings | \$ 49,498,022 | \$ 95,680,057 |
| - short-term borrowings | - | 62,940,068 |
| Sinking fund | - | (3,188,104) |
| Interest | <u>5,405,355</u> | <u>5,866,532</u> |
| | <u>\$ 54,903,377</u> | <u>\$161,298,553</u> |

The principal amount of long-term borrowings is recorded net of unamortized debt discount of \$4,118,978 (1988 - \$6,608,675).

The aggregate amounts required to meet retirement provisions in connection with long-term borrowings, excluding amounts owed pursuant to Subsidiary Agreements for Industrial Development (IDSA), are as follows:

| | \$ |
|----------------------------|------------|
| Year ending March 31, 1990 | 12,860,000 |
| 1991 | 12,860,000 |
| 1992 | 12,860,000 |

An IDSA loan of \$13,000,000 is repayable as follows:

- \$6,500,000 and related accrued interest payable due on March 1, 1989;
- the balance payable only as the Corporation's subsidiary, Duke Point Development Limited, sells or leases its properties.

The subsidiary has not been able to make the payments due on March 1, 1989, and a tentative agreement has been reached with the Province whereby the Corporation is not required to pay, at the present time, the \$6.5 million principal amounts plus accrued interest.

In respect to another IDSA loan of \$2,037,000, \$87,000 is repayable in October 1989 and the balance in October 1990. The Province may require the repayment earlier under certain conditions.

The average cost of funds for long-term facilities for the year was 8.64% (1988 - 9.13%).

BRITISH COLUMBIA ENTERPRISE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

8. SHARE CAPITAL

\$

Authorized -

10,000 common shares without par value

Issued and fully paid -

2 common shares

2

9. CONTRIBUTED SURPLUS

Contributed surplus arose from the reorganization and restructuring referred to in Note 1, and is adjusted for certain transactions during the year.

During the year, upon instructions from the shareholder, the Corporation transferred certain assets and liabilities at their current book values to the Province of British Columbia and a Crown corporation. The transfers were charged against contributed surplus to the extent available. Amounts distributed in excess of contributed surplus are recorded as dividends from earnings or as a receivable from the Province.

| | |
|---|------------------|
| Balance as at March 31, 1987 and 1988 | \$ 300,326,032 |
| Transfer of cash, promissory notes, mortgage receivable and rights to public participation funding relating to the sale of False Creek properties | (139,657,860) |
| Transfer of cash relating to certain land sales | (7,235,486) |
| Transfer of certain loan assets and liabilities, special loans programs, and related rights and obligations | (137,843,374) |
| Transfer of certain land assets and related rights and obligations | (18,615,523) |
| Transfer of Terry Fox Plaza/Parkade lands to B.C. Pavilion Corporation | <u>(443,073)</u> |
| | (3,469,284) |
| Excess distribution recorded as a receivable from the Province | <u>3,469,284</u> |
| Balance as at March 31, 1989 | <u>\$ -</u> |

BRITISH COLUMBIA ENTERPRISE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

10. APPRAISAL INCREASE CREDITS

Excess of appraisal value of public facilities over cost consists of the following:

| | 1989 | 1988 |
|-----------------------------|---------------------|---------------------|
| Whistler Conference Centre | \$ 2,190,250 | \$ 2,190,250 |
| Whistler parking structures | <u>1,767,626</u> | <u>2,313,000</u> |
| | <u>\$ 3,957,876</u> | <u>\$ 4,503,250</u> |

The appraisal increase credits relating to the Whistler parking structures was reduced by \$545,374, representing transfers made to retained earnings on the disposition of related property.

11. LAND SALES AND LEASES

a) Sale of False Creek Lands

As reported in the subsequent event note to the 1988 British Columbia Enterprise Corporation's financial statements, the Corporation sold its False Creek Lands (the former Expo 86 site) during the year for \$320 million. In addition, under the terms of the sale agreement, the Corporation is entitled to receive further payments, referred to in the sale agreement as public participation funding, should future development of the Lands exceed a certain square footage of buildable floor space.

A payment of \$50 million was received when the sale was completed and the balance of \$270 million will be received between 1995 and 2003, inclusive. The Corporation has calculated the present value of the cash received and amounts receivable to be \$125 million and has recorded this amount as land sales revenue in these financial statements.

The Corporation has estimated future public participation funding to be \$111 million, with a present value of \$20 million. The collection of these payments is secured in part by a mortgage on certain land and buildings included in the sale. The \$20 million has been recorded as revenue from transfer to the Province of rights to receive public participation funding (Note 11(b)).

b) Transfer to the Province

As agreed and confirmed by the Province, following the sale of the False Creek Lands, the Corporation transferred to the Province for \$145 million all its rights, titles, interests and benefits under the sale agreement for the Lands, including the right to receive future payments.

12. EXTRAORDINARY ITEM

During the year, the City of New Westminster forgave debt owed to it by The First Capital City Development Company Limited. The amount owing was \$1,364,847 including accrued interest.

BRITISH COLUMBIA ENTERPRISE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

13. RELATED PARTY TRANSACTIONS

The public facilities are operated and managed by B.C. Pavilion Corporation, and leased for nominal amounts.

During the year, the Corporation substantially completed its obligations pursuant to an agreement with respect to the disassembly, care and storage of remaining Expo Theme Park assets, the dismantling or demolition of other Expo improvements and the restoration of the False Creek properties.

The accounting for the sale of the False Creek lands is described in Note 11 in these financial statements. Below is a summary of balances at the year end and other transactions with the Province:

| | 1989 \$ | 1988 \$ |
|---|------------|------------|
| Short-term deposits | 19,693,878 | 16,146,527 |
| Accounts receivable | 3,969,091 | - |
| Accounts payable, deposits and accrued liabilities | 8,516,015 | 4,459,135 |
| Loan management fees received | 645,342 | 720,699 |
| Subsidy income received | 2,634,793 | 2,902,740 |

Other related party transactions are disclosed elsewhere in these financial statements.

14. COMMITMENTS AND CONTINGENCIES

- a) At March 31, 1989 the Corporation was committed to complete certain land servicing obligations to the District of Coquitlam, pursuant to the Westwood Heights Development Agreement. The obligations which the Corporation will directly undertake are estimated at \$3.5 million. As well, the Corporation has a cost-sharing agreement with an adjacent property holder for a total estimated cost of \$800,000. These obligations are to be assigned to a purchaser of the Corporation's Coquitlam properties, pursuant to the terms of a call for proposals to purchase the properties.
- b) An agreement between the Ministry of Crown Lands, the Ministry of Education, the Corporation and its subsidiary, W.L.C. Developments Ltd., commits the Corporation to relocate a school facility, in return for land, if the Corporation's zoning application is accepted by the Resort Municipality of Whistler. The relocation costs to be funded by the Corporation are estimated at \$5.1 million.
- c) A number of legal actions have been brought against the Corporation claiming damages and other unspecified amounts. In the opinion of management and legal counsel, the outcome of these legal actions is not determinable. Consequently, no provision for potential losses, if any, is reflected in these consolidated financial statements.

BRITISH COLUMBIA ENTERPRISE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

15. SUBSEQUENT EVENTS

- a) Subsequent to the year end and as directed by the shareholder, the Corporation transferred certain properties, at their current book value of \$6,125,000, to B.C. Pavilion Corporation.
- b) On April 7, 1989, a resolution was passed by the Board of Directors consenting to the voluntary liquidation of The First Capital City Development Limited. The net assets of the subsidiary at March 31, 1989 amounted to \$53,365.
- c) The Corporation has negotiated and agreed to conclude the sale of its major property holdings in Coquitlam, British Columbia for \$63,000,000.

BRITISH COLUMBIA FERRY CORPORATION

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Clarkson Gordon

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AUDITORS' REPORT

To the Lieutenant-Governor in Council
Province of British Columbia:

We have examined the balance sheet of British Columbia Ferry Corporation as at March 31, 1989 and the statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Victoria, Canada.

May 19, 1989.

Chartered Accountants.

BRITISH COLUMBIA FERRY CORPORATION

STATEMENT OF INCOME AND DEFICIT

YEAR ENDED MARCH 31, 1989

(expressed in thousands)

| | <u>1989</u> | <u>1988</u> |
|---------------------------------------|--------------------|--------------------|
| Operating revenues | | |
| Tolls | \$ 153,114 | \$ 138,591 |
| Catering and other income | 34,485 | 29,897 |
| Operating subsidy (Note 11) | <u>51,000</u> | <u>57,000</u> |
| | <u>238,599</u> | <u>225,488</u> |
| Operating expenses | | |
| Salaries, wages and benefits | 116,919 | 111,080 |
| Depreciation | 28,898 | 29,663 |
| Fuel and lubricants | 23,707 | 25,418 |
| Operating supplies and services | 20,807 | 18,557 |
| Repairs, maintenance and replacements | 14,889 | 16,233 |
| Cost of food and goods sold | 12,726 | 11,550 |
| General and administration | <u>5,508</u> | <u>4,795</u> |
| | <u>223,454</u> | <u>217,296</u> |
| Income from operations | <u>15,145</u> | <u>8,192</u> |
| Investment income | 7,958 | 5,593 |
| Interest on long term obligations | <u>(11,229)</u> | <u>(12,223)</u> |
| Net interest expense | <u>(3,271)</u> | <u>(6,630)</u> |
| INCOME FOR THE YEAR | 11,874 | 1,562 |
| DEFICIT AT BEGINNING OF YEAR | <u>(50,354)</u> | <u>(51,916)</u> |
| DEFICIT AT END OF YEAR | <u>\$ (38,480)</u> | <u>\$ (50,354)</u> |

BRITISH COLUMBIA FERRY CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED MARCH 31, 1989
(expressed in thousands)

| | <u>1989</u> | <u>1988</u> |
|--------------------------------|------------------|------------------|
| OPERATIONAL ACTIVITIES | | |
| Cash generated from (used by) | | |
| Operations (Note 12) | \$ <u>39,623</u> | \$ <u>27,231</u> |
| FINANCIAL ACTIVITIES | | |
| Payments from reserved funds | 5,700 | 5,700 |
| Long term debt payment | (5,700) | (5,700) |
| Payments received on debenture | 834 | 771 |
| Capital lease | - | 102 |
| Capital lease payments | (845) | (750) |
| Payments to reserved funds | (37,480) | (5,327) |
| Appreciation of reserved funds | <u>(1,834)</u> | <u>(1,580)</u> |
| | <u>(39,325)</u> | <u>(6,784)</u> |
| INVESTMENT ACTIVITIES | | |
| Fixed asset additions | <u>(7,559)</u> | <u>(9,292)</u> |
| INCREASE (DECREASE) IN CASH | (7,261) | 11,155 |
| CASH AT BEGINNING OF YEAR | <u>22,129</u> | <u>10,974</u> |
| CASH AT END OF YEAR | <u>\$ 14,868</u> | <u>\$ 22,129</u> |

In this statement cash includes only cash available for day to day operations and does not include Reserved Funds cash.

BRITISH COLUMBIA FERRY CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1989

1. SIGNIFICANT ACCOUNTING POLICIES

The Corporation was incorporated under the Ferry Corporation Act on June 30, 1976 and commenced operations on January 1, 1977. The shares of the Corporation are held by the Minister of Finance as representative of Her Majesty the Queen in right of the Province of British Columbia.

In accordance with Section 8(7) of the Ferry Corporation Act the financial statements of the Corporation are prepared in accordance with generally accepted accounting principles. Significant accounting policies adopted in the preparation of these financial statements are as follows:

Inventories -

Inventories are valued at the lower of cost and current replacement cost.

Long-Term Disability Plan -

The Corporation records as a current year expense the change in reserves for the estimated present value of payments, until retirement, to employees currently receiving benefits from the Long-Term Disability Plan. The plan is administered by the Superannuation Branch of the Public Service Commission, which receives and invests premiums from the Corporation. The excess of premiums paid under the Plan over reserves required for future payments is included in prepayments and deposits.

Fixed assets:

Acquired from the Province of British Columbia:

(a) Ships

Ships, which comprise part of the total assets acquired from the Province effective January 1, 1977 by Order-In-Council No. 3610 dated December 16, 1976 and which were transferred to the Corporation at an assigned value of \$1, have been revalued by the Corporation and are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977.

Notes

Fixed assets - (continued)

Three ships presently under charter by the Province until 1994 are subchartered to the Corporation for the same period at an annual cost of \$1 each. Under the terms of the subcharter agreement with the Province, the Corporation may in 1994 request that the Province exercise its option to purchase these ships at its own expense in which case clear title to the ships will be transferred to the Corporation. Accordingly, these ships are included in the capital assets of the Corporation and are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977.

(b) Berths, buildings and equipment

Berths, buildings and equipment which comprise the balance of the total assets transferred at an assigned value of \$1, are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977.

On October 1, 1983 the buildings and equipment at the Deas Dock facility, not acquired from the Province on January 1, 1977 were transferred at an assigned value of \$1. These assets are included in the capital assets of the Corporation and are reflected in the accompanying financial statements at their estimated depreciated replacement value as at October 1, 1983.

Other additions and disposals subsequent to January 1, 1977:

The costs of major replacements, additions, extensions and improvements are capitalized in the fixed asset accounts. On retirement or disposal of fixed assets, the costs thereof and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the statement of income.

The costs of maintenance, repairs, and minor renewals or replacements are charged against income.

Depreciation -

Fixed assets are depreciated on the straight line method based upon the following useful lives:

| | |
|-------------------------|--------------|
| Ships | 25 years |
| Berths | 5 - 10 years |
| Buildings and equipment | 4 - 25 years |

Leases -

All leases which transfer substantially all of the benefits and risks incidental to the ownership of property are accounted for as if they were an acquisition of assets and incurrence of obligations at the inception of the lease. Assets recorded under capital leases are depreciated on a straight-line basis over the appropriate useful lives.

All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

Amortization of long-term debt discount and issue costs -

Promissory note discount is amortized on a compound interest method over the term of the debt. Issue costs for promissory notes and capital leases are amortized on a straight-line basis over the term of the debt.

Provision for annual refit costs -

The Corporation provides for ship refit expense by charging income with the anticipated refit costs over the period between refits. Any differences between the provision and the actual refit costs are recognized in the year the refit takes place.

Comparative figures -

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year.

Notes

2. INVENTORIES

| | <u>Year ended March 31</u> | |
|--|----------------------------|------------------|
| | <u>1989</u> | <u>1988</u> |
| | (expressed in thousands) | |
| Spare components, parts and supplies | \$ 9,023 | \$ 9,278 |
| Fuel and lubricants | 1,005 | 1,083 |
| Catering supplies and goods for resale | <u>740</u> | <u>661</u> |
| | <u>\$ 10,768</u> | <u>\$ 11,022</u> |

3. RESERVED FUNDS

Funds designated to repay long-term debt and for other specific purposes are segregated by the Corporation and are administered by the Corporation or the Province.

| | <u>Year ended March 31</u> | |
|--|----------------------------|------------------|
| | <u>1989</u> | <u>1988</u> |
| | (expressed in thousands) | |
| Funds designated for long-term debt (Note 7) | | |
| Administered by the Corporation | \$ 8,019 | \$ 9,497 |
| Less amount included in current assets to satisfy a current debt repayment | <u>5,700</u> | <u>5,700</u> |
| | 2,319 | 3,797 |
| Administered by the Province | <u>2,087</u> | <u>1,582</u> |
| | 4,406 | 5,379 |
| Funds designated for capital expenditures (Note 14) | | |
| Administered by the Corporation | 33,212 | - |
| Funds designated for a capital lease (Notes 4 & 8) | | |
| Administered by the Province | 2,558 | 1,213 |
| Funds designated to meet accrued sick leave liabilities (Note 10) | | |
| Administered by the Corporation | <u>5,735</u> | <u>5,705</u> |
| | <u>\$ 45,911</u> | <u>\$ 12,297</u> |

The funds designated for capital expenditures are equal to the subsidy received from the provincial government less amounts required to cover operating losses, before depreciation, and capital expenditures.

Notes

4. DEBENTURE

| | <u>Year Ended March 31</u> | |
|--|----------------------------|------------------|
| | <u>1989</u> | <u>1988</u> |
| | (expressed in thousands) | |
| 8.18% Debenture issued by the Province of British Columbia due December 10, 2006 | \$ 40,131 | \$ 40,965 |
| Less: Principal due within one year | <u>905</u> | <u>835</u> |
| | <u>\$ 39,226</u> | <u>\$ 40,130</u> |

By agreement with the Province, semi-annual payments to the Corporation equal the amount required under the lease obligation for the Queen of Oak Bay (Note 8). Excess funds are placed in a sinking fund to cover future increased payments on the lease (Note 3).

5. FIXED ASSETS

| | <u>March 31, 1989</u> | | <u>March 31, 1988</u> |
|---------------------------------|--------------------------------|---------------------------------|-----------------------|
| | (expressed in thousands) | | |
| | <u>Cost or Appraised Value</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
| Ships owned | \$ 266,485 | \$ 156,687 | \$ 109,798 |
| Ships under capital lease | 127,827 | 51,147 | 76,680 |
| Berths, buildings and equipment | 161,819 | 114,345 | 47,474 |
| Land | 5,695 | - | 5,695 |
| Construction in progress | <u>3,278</u> | <u>-</u> | <u>3,278</u> |
| | <u>\$ 565,104</u> | <u>\$ 322,179</u> | <u>\$ 242,925</u> |
| | | | <u>\$ 264,264</u> |

6. DEFERRED CHARGES

| | <u>Year Ended March 31</u> | |
|--------------------------------------|----------------------------|-----------------|
| | <u>1989</u> | <u>1988</u> |
| | (expressed in thousands) | |
| Long-term debt discount and expenses | \$ 1,897 | \$ 3,021 |
| Lease executory costs | <u>319</u> | <u>338</u> |
| | <u>\$ 2,216</u> | <u>\$ 3,359</u> |

Notes

7. LONG-TERM DEBT

| | <u>Year Ended March 31</u> | |
|---|----------------------------|------------------|
| | <u>1989</u> | <u>1988</u> |
| | (expressed in thousands) | |
| 8.95% Promissory notes (effective rate of 15.75%), are repayable in equal annual instalments of \$5.7 million | \$ 17,100 | \$ 22,800 |
| Less current portion | <u>5,700</u> | <u>5,700</u> |
| | 11,400 | 17,100 |
| 12.08% Promissory note (effective rate of 12.44%) due September 9, 2003 is repayable by annual sinking fund payments of \$322,492 | <u>14,758</u> | <u>14,758</u> |
| | <u>\$ 26,158</u> | <u>\$ 31,858</u> |
| Payable in fiscal year ending in: | | |
| 1989 | \$ - | \$ 6,022 |
| 1990 | 6,022 | 6,022 |
| 1991 | 6,022 | 6,022 |
| 1992 | 6,022 | 6,022 |
| 1993 | 322 | 322 |
| 1994 | 322 | 322 |
| 1995 and subsequent | <u>7,448</u> | <u>7,126</u> |
| | <u>\$ 26,158</u> | <u>\$ 31,858</u> |

The Province of British Columbia unconditionally guarantees the payment of principal and interest on the promissory notes.

Notes

8. OBLIGATIONS UNDER CAPITAL LEASES

The corporation has obligations under capital leases for the M.V. "Queen of Oak Bay", M.V. "Queen of Surrey", M.V. "Quinsam" and other equipment.

| | <u>Year Ended March 31</u> | |
|-----------------------------------|----------------------------|-------------------|
| | <u>1989</u> | <u>1988</u> |
| | (expressed in thousands) | |
| Total minimum lease payments are: | | |
| M.V. "Queen of Oak Bay" | | |
| Implicit interest rate 8.14% | \$ 92,510 | \$ 95,524 |
| M.V. "Queen of Surrey" | | |
| Implicit interest rate 8.685% | 81,919 | 86,406 |
| M.V. "Quinsam" | | |
| Implicit interest rate 10.64% | 7,227 | 8,089 |
| Other equipment - Tractor | | |
| Implicit interest rate 10.0% | - | 49 |
| Other Equipment - Forklift | | |
| Implicit interest rate 10.44% | <u>120</u> | <u>138</u> |
| | <u>\$ 181,776</u> | <u>\$ 190,206</u> |

Payable in fiscal year ending in:

| | | |
|---|------------------|------------------|
| 1989 | \$ - | \$ 8,430 |
| 1990 | 8,380 | 8,380 |
| 1991 | 8,380 | 8,380 |
| 1992 | 9,218 | 9,218 |
| 1993 | 9,218 | 9,218 |
| 1994 | 9,218 | 9,218 |
| 1995 and subsequent | <u>137,362</u> | <u>137,362</u> |
| | 181,776 | 190,206 |
| Less interest | <u>93,550</u> | <u>101,135</u> |
| Present value of net minimum capital lease payments | 88,226 | 89,071 |
| Less current portion | <u>1,348</u> | <u>1,280</u> |
| | <u>\$ 86,878</u> | <u>\$ 87,791</u> |

Notes

9. ACCRUED SICK LEAVE LIABILITY

In 1978 the Corporation introduced short-term illness and injury and long-term disability plans and as of that date all employees ceased accruing sick leave credits. In the event of illness the accumulated sick time may be withdrawn prior to retirement. On retirement, any balance remaining is payable in cash at 50% of accredited time.

An actuarial evaluation by The Alexander Consulting Group Limited as at March 31, 1988 determined that the recorded liability for the portion payable on retirement was \$395,000 in excess of that required. This excess is being reflected in operations over three years ending March 31, 1990.

Funds have been designated to meet the accrued sick leave liability (Note 3).

10. CONTRIBUTED SURPLUS

Excess of estimated depreciated replacement value over assigned value of \$1 of assets acquired from the Province of British Columbia.

| | <u>Year Ended March 31</u> | |
|--|----------------------------|-------------------|
| | <u>1989</u> | <u>1988</u> |
| | (expressed in thousands) | |
| Ships, berths, buildings and equipment acquired January 1, 1977 | \$ 249,674 | \$ 249,674 |
| Buildings and equipment acquired October 1, 1983 | <u>727</u> | <u>727</u> |
| | <u>\$ 250,401</u> | <u>\$ 250,401</u> |

11. RELATED PARTY TRANSACTIONS

The Corporation received a cash subsidy of \$51 million (1988 - \$57 million) from the Province of British Columbia. This cash subsidy is determined annually.

In addition, the Province pays \$4.8 million for annual leases of three ships which are leased from the Province at an annual cost of \$1 each.

The Corporation utilizes Crown land for terminals and highway access without the payment of rental or property taxes. The value of these benefits has not been determined. Section 21 of the Ferry Corporation Act states: "The Corporation, as an agent of the Crown, is not liable to taxation, including taxation on improvements, except insofar as the Crown is liable."

The Corporation engages in transactions with other government agencies, departments and Crown Corporations, notably B.C. Hydro and Power Authority and B.C. Systems Corporation, on the same terms as private sector customers.

12. CASH GENERATED FROM OPERATIONS

| | <u>Year Ended March 31</u> | |
|---|----------------------------|------------------|
| | <u>1989</u> | <u>1988</u> |
| | (expressed in thousands) | |
| Income for the year | \$ 11,874 | \$ 1,562 |
| Items not involving cash | | |
| Depreciation | 28,898 | 29,663 |
| Amortization of promissory note discount and debt issue costs | 1,143 | 1,334 |
| Increase in accrued sick leave liability | 30 | 977 |
| Cash generated from (used for) operating working capital | | |
| Accounts receivable | (19) | (1,158) |
| Inventories | 254 | (457) |
| Prepayments and deposits | (2,089) | (1,207) |
| Accounts payable and accrued liabilities | (843) | (2,935) |
| Deferred revenue | <u>375</u> | <u>(548)</u> |
| Cash generated from operations | <u>\$ 39,623</u> | <u>\$ 27,231</u> |

13. PENSION PLAN

The Pension (Public Service) Act applies to the Corporation and its officers and employees. Accordingly, the Corporation is required to pay into the Public Service Superannuation Fund amounts prescribed from time to time by Regulation.

14. COMMITMENTS

In the budget speech on March 30, 1989, the Minister of Finance and Corporate Relations for the Province of British Columbia announced a 10-year, \$550 million capital maintenance and expansion program for the Corporation. At March 31, 1989, no significant contracts had been entered into under this program.

It is the Corporation's intention to separate the annual subsidy received from the Province of British Columbia into its operating and capital components to reflect the government's stated intention that capital maintenance and expansion be financed from the subsidy.

BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Chairman and Members of
British Columbia Health Care Research Foundation, and

To the Minister of Health,
Province of British Columbia:

I have examined the balance sheet of British Columbia Health Care Research Foundation as at March 31, 1989 and the statement of revenue and expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Foundation as at March 31, 1989 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in dark ink, reading "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 2, 1989

BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

BALANCE SHEET

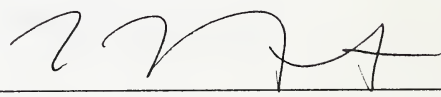
AS AT MARCH 31, 1989

| | <u>1989</u> | <u>1988</u> |
|--|--------------|-------------|
| ASSETS | | |
| Cash | \$ 93,004 | \$ 5,796 |
| Short-term investments (Note 2) | 8,603,682 | 2,229,953 |
| Accrued interest receivable | 4,477 | 11,345 |
| Contributions receivable | 1,438,865 | 517,626 |
| | <hr/> | <hr/> |
| | \$10,140,028 | \$2,764,720 |
| | <hr/> | <hr/> |
| LIABILITIES | | |
| Accounts payable | \$ 16,109 | \$ 12,470 |
| Grants, fellowships and scholarships payable | 2,426,823 | 2,652,693 |
| Deferred contributions (Note 5) | 7,438,865 | - |
| | <hr/> | <hr/> |
| SURPLUS | 258,231 | 99,557 |
| | <hr/> | <hr/> |
| | \$10,140,028 | \$2,764,720 |
| | <hr/> | <hr/> |

The accompanying notes are an integral part
of these financial statements.

Approved by the Board:



Director

Director

BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

STATEMENT OF REVENUE AND EXPENDITURE AND SURPLUS

FOR THE YEAR ENDED MARCH 31, 1989

| | <u>1989</u> | <u>1988</u> |
|---|-------------------|------------------|
| REVENUE | | |
| Contributions from the Lottery Fund | \$4,878,201 | \$4,517,626 |
| Interest | 407,437 | 248,834 |
| Donations | 100 | 200 |
| | <hr/> | <hr/> |
| | 5,285,738 | 4,766,660 |
| | <hr/> | <hr/> |
| EXPENDITURE | | |
| Grants (Note 3) | | |
| - Research | 3,725,635 | 3,167,933 |
| - Equipment | 259,921 | 1,021,844 |
| - Emergency funding | 38,206 | 47,773 |
| - Development | 5,000 | 3,142 |
| | <hr/> | <hr/> |
| | 4,028,762 | 4,240,692 |
| Research fellowships | 68,835 | 111,958 |
| Scholarship awards (Note 4) | 821,534 | 427,574 |
| Administrative expenses | 207,933 | 188,903 |
| | <hr/> | <hr/> |
| | 5,127,064 | 4,969,127 |
| | <hr/> | <hr/> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE | 158,674 | (202,467) |
| SURPLUS AT BEGINNING OF YEAR | 99,557 | 302,024 |
| | <hr/> | <hr/> |
| SURPLUS AT END OF YEAR | <u>\$ 258,231</u> | <u>\$ 99,557</u> |

BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

1. Nature and objectives of the Foundation

The Foundation is incorporated under the Society Act, and is funded by the Province of British Columbia. Its objects are to assist and collaborate with organizations conducting research in the field of health care in the Province of British Columbia; to co-operate with community facilities or organizations concerned with the general health of communities in the Province; and to accept and receive grants, donations, and other funds for use in carrying out its objects.

2. Significant accounting policies

i) General

These financial statements have been prepared in accordance with generally accepted accounting principles for non-profit organizations.

ii) Expenditures

Grants and fellowships are expensed in the year they are awarded.

Scholarship awards are renewable for three additional years, subject to satisfactory annual progress reports and applications for renewal. Only current year awards are expensed during the year.

iii) Short term investments

Units in Province of British Columbia Pooled Investment Portfolios are carried at the lower of the cost of acquisition, adjusted by income attributed to the units, or market value.

3. Grants

The Foundation awards grants to support health care research, equipment, development, and emergency projects. Amounts which remain unexpended at project completion or unexpended due to project cancellation or alternate funding are returnable to the Foundation.

BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

3. Grants (Continued)

The grants were awarded to recipients with the following organizations:

| | <u>1989</u> | <u>1988</u> |
|------------------------------------|-------------|-------------|
| Arthritis Society | \$ 12,684 | \$ 2,000 |
| B.C. Cancer Research Centre | 15,300 | 25,000 |
| B.C. Cancer Foundation | 29,000 | - |
| B.C. Children's Hospital | - | 2,500 |
| Cancer Control Agency of B.C. | 217,870 | 154,800 |
| Canadian Red Cross | 30,000 | 30,000 |
| EVS Consultants | 35,000 | 40,000 |
| Greater Victoria Hospital Society | 6,000 | 47,000 |
| G.F. Strong Rehabilitation Centre | 21,755 | 22,000 |
| Lions Gate Hospital | - | 17,755 |
| Massage Therapists Association | 2,000 | - |
| Shaughnessy Hospital | - | 30,000 |
| Simon Fraser University | 285,130 | 208,600 |
| University of British Columbia | 3,373,578 | 3,613,141 |
| University of Victoria | 90,450 | 161,000 |
| Village of 100 Mile House | - | 10,000 |
| | <hr/> | <hr/> |
| | 4,118,767 | 4,363,796 |
| Less: Prior Years' Returned Grants | 90,005 | 123,104 |
| | <hr/> | <hr/> |
| | \$4,028,762 | \$4,240,692 |
| | <hr/> | <hr/> |

4. Commitment

The estimated cost to complete the funding of all outstanding scholarship grants is \$1,747,494 (1988 - \$650,342).

BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

5. Deferred contributions

| | |
|---|-------------|
| Lottery Fund | \$6,000,000 |
| Ministry of Advanced Education and Job Training | \$1,438,865 |
| | <hr/> |
| | \$7,438,865 |
| | <hr/> |

The Lottery Fund contribution represents the Foundation's operating grant for the 1990 fiscal year, which was received prior to March 31, 1989.

The Ministry contribution represents Federal Patent Act funds approved by the Treasury Board of the Province of British Columbia for distribution to the Foundation during 1988/89. The amount includes \$959,243 to be administered by the Foundation and \$479,622 to be administered jointly by the Foundation and the Science Council of British Columbia for competitions to be held in the 1990 fiscal year.

6. Comparative figures

Certain 1988 figures have been restated in order to conform with financial statement presentation adopted in 1989.

BRITISH COLUMBIA HERITAGE TRUST

Touche Ross & Co.
Chartered Accountants
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Victoria, B.C. V8W 2B7
Telephone: 604 383-1174
Telecopier: 604 388-9943

**AUDITORS' REPORT**

To the Members of the Board of Directors,
British Columbia Heritage Trust, and

To the Minister of Municipal Affairs,
Recreation and Culture,
Province of British Columbia

We have examined the balance sheet of British Columbia Heritage Trust as at March 31, 1989 and the statements of revenue, expenditures and heritage investment fund and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Trust as at March 31, 1989 and the results of its operations and changes in its financial position for the year then ended in accordance with the accounting principles detailed in Note 2 applied on a basis consistent with that of the preceding year.

Further, we have examined the transactions that came to our notice in the course of the above mentioned examination of the financial statements of British Columbia Heritage Trust for the year ended March 31, 1989 to determine whether they were in accordance with the Heritage Conservation Act. Our examination of these transactions was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. In our opinion, these transactions were, in all significant respects, in compliance with the Act.

Victoria, British Columbia
June 2, 1989


Chartered Accountants



BRITISH COLUMBIA HERITAGE TRUST
BALANCE SHEET AS AT MARCH 31, 1989

| | <u>1989</u> | <u>1988</u> |
|--|--------------------|--------------------|
| <u>ASSETS</u> | | |
| Current | | |
| Cash and short-term investments | \$2,674,889 | \$2,055,211 |
| Accounts receivable | <u>500</u> | <u>500</u> |
| | 2,675,389 | 2,055,711 |
| Fixed | | |
| Heritage properties (Note 3) | <u>1,338,916</u> | <u>1,338,916</u> |
| | <u>\$4,014,305</u> | <u>\$3,394,627</u> |
| <u>LIABILITIES</u> | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 90,946 | \$ 26,950 |
| Province of British Columbia | <u>5,064</u> | <u>3,507</u> |
| | 96,010 | 30,457 |
| <u>HERITAGE INVESTMENT FUND</u> | | |
| Heritage Investment Fund | <u>3,918,295</u> | <u>3,364,170</u> |
| | <u>\$4,014,305</u> | <u>\$3,394,627</u> |

Approved by the Directors:

 Director
 Director

See accompanying notes to financial statements.



BRITISH COLUMBIA HERITAGE TRUST
STATEMENT OF REVENUE, EXPENDITURE AND
HERITAGE INVESTMENT FUND
FOR THE YEAR ENDED MARCH 31, 1989

| | <u>1989</u> | <u>1988</u> |
|---|--------------------|--------------------|
| Revenue | | |
| Grant from the British Columbia Lottery Fund | \$2,050,000 | \$1,900,000 |
| Investment income | 287,344 | 162,510 |
| Donations and miscellaneous revenue | <u>5,124</u> | <u>2,704</u> |
| | <u>2,342,468</u> | <u>2,065,214</u> |
| Expenditures | | |
| Grants | | |
| - Archaeology | 62,262 | 150,000 |
| - Building restoration | 230,804 | 355,756 |
| - Conferences and societies | 97,486 | 48,595 |
| - Development projects | 146,315 | 130,202 |
| - Heritage Area Revitalization Program | 226,031 | 362,166 |
| - Landmark buildings | 200,000 | - |
| - Planning and inventory | 175,808 | 129,305 |
| - Publications assistance | 42,225 | 61,442 |
| - Religious buildings | 80,897 | 109,673 |
| - Scholarships | 16,500 | 22,000 |
| - Special projects | 92,976 | 97,103 |
| - Student employment | - | 1,500 |
| - Theme development | 15,000 | - |
| - Transportation artifacts | - | 33,110 |
| - Transportation - Expo 86 | <u>26,500</u> | <u>-</u> |
| | <u>1,412,804</u> | <u>1,500,852</u> |
| Administration | 137,134 | 101,041 |
| Education and communication | 41,558 | 41,431 |
| Esso Heritage Brick Program | - | 5,023 |
| Operating expenses | <u>196,847</u> | <u>88,144</u> |
| | <u>375,539</u> | <u>235,639</u> |
| | <u>1,788,343</u> | <u>1,736,491</u> |
| Excess of revenue over expenditure for the year | 554,125 | 328,723 |
| Heritage Investment Fund - beginning of year | <u>3,364,170</u> | <u>3,035,447</u> |
| Heritage Investment Fund - end of year | <u>\$3,918,295</u> | <u>\$3,364,170</u> |

See accompanying notes to financial statements.

BRITISH COLUMBIA HERITAGE TRUST
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1989

| | <u>1989</u> | <u>1988</u> |
|--|--------------------|--------------------|
| Operating activities | | |
| Excess of revenue over expenditure for the year | \$ 554,125 | \$ 328,723 |
| Net change in operating working capital other than cash | <u>65,553</u> | <u>38,930</u> |
| | <u>619,678</u> | <u>367,653</u> |
| Investing activities | | |
| Capital expenditures | <u>-</u> | <u>(154,086)</u> |
| Increase in cash and short-term deposits for the year | 619,678 | 213,567 |
| Cash and short-term deposits - beginning of year | <u>2,055,211</u> | <u>1,841,644</u> |
| Cash and short-term deposits - end of year | <u>\$2,674,889</u> | <u>\$2,055,211</u> |

See accompanying notes to financial statements.



BRITISH COLUMBIA HERITAGE TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1989

1. The Trust

The British Columbia Heritage Trust is a Crown Corporation incorporated under the Heritage Conservation Act, R.S.B.C. 1979, Chapter 165, and is an agent of the Crown. The object of the Trust is to encourage and facilitate the protection and conservation of heritage property in the Province.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles, except that grants are recorded as an expenditure in the year the disbursement is made.

a) Short-term investments

Short-term investments consist of units in Province of British Columbia Pooled Investment Portfolios. Units are carried at the lower of cost of acquisition adjusted by income attributed to the units, and market value. Income attributed to the units represents the unitholder's share of interest earned by the Portfolio and may be realizable upon the sale of units.

b) Fixed assets and depreciation

All costs incurred for the acquisition and restoration of heritage property of the Trust are capitalized. Donated property is recorded at the appraised value at the time of its receipt.

Due to the heritage nature of these properties, no provision is made for depreciation.

British Columbia Heritage Trust
Notes to Financial Statements
For the year ended March 31, 1989

3. Heritage properties

| | <u>1989</u> | <u>1988</u> |
|---------------------------------|--------------------|--------------------|
| Land, buildings and furnishings | | |
| Beachgrove | \$ 121,185 | \$ 121,185 |
| Hat Creek Ranch | 630,309 | 630,309 |
| Keremeos Grist Mill | 324,701 | 324,701 |
| Vallican Archaeological Site | <u>82,080</u> | <u>82,080</u> |
| | <u>1,158,275</u> | <u>1,158,275</u> |
| Machinery and equipment | | |
| C.P. Railway Business Car 19 | 47,041 | 47,041 |
| Machinery Artifacts | 113,600 | 113,600 |
| B.X. Stagecoach | <u>20,000</u> | <u>20,000</u> |
| | <u>180,641</u> | <u>180,641</u> |
| | <u>\$1,338,916</u> | <u>\$1,338,916</u> |

4. Related party transactions

During the year, the Trust entered into various transactions with the Province of British Columbia, a related party.

The following summarizes these transactions:

- a) The Trust received grants from the British Columbia Lottery Fund amounting to \$2,050,000 during the year ended March 31, 1989 (1988 - \$1,900,000).
- b) The Province provides certain staffing, accommodation and administrative services for the Trust at no charge. The cost of providing these services for the year ended March 31, 1989, amounted to approximately \$293,000 (1988 - \$304,000).

5. Commitments

The Trust had commitments of \$1,477,339 at March 31, 1989 (1988 - \$1,671,421). The attached schedule of commitments and disbursement of grants details these commitments.

6. Comparative figures

The financial statements of the prior year were reported on by another chartered accountant.

BRITISH COLUMBIA HERITAGE TRUST

SCHEDULE OF COMMITMENTS AND DISBURSEMENTS OF GRANTS
FOR THE YEAR ENDED MARCH 31, 1989

| Program | Commitments Beginning of Year | Commitments made during Year | Grants Paid in Year | Commitments Revoked in Year | Commitments End of Year |
|---|-------------------------------------|------------------------------------|---------------------------|-----------------------------------|-------------------------------|
| Archaeology | \$ 80,000 | \$ 78,545 | \$ 62,262 | | \$ 96,283 |
| Building Restoration | 281,845 | 286,070 | 230,804 | \$57,414 | 279,697 |
| Community Heritage Development | 88,848 | 177,333 | 146,315 | 1,516 | 118,350 |
| Conferences and Societies | 35,985 | 169,056 | 97,486 | 9,855 | 97,700 |
| Heritage Area Revitalization Program | 681,969 | 5,000 | 226,031 | 8,320 | 452,618 |
| Planning and Inventory | 200,286 | 128,610 | 175,808 | | 153,088 |
| Publications Assistance | 49,504 | 25,875 | 42,225 | 4,000 | 29,154 |
| Religious Buildings | 98,527 | 63,258 | 80,897 | 359 | 80,529 |
| Scholarships | 22,000 | 22,000 | 16,500 | | 27,500 |
| Special Projects | 90,515 | 61,835 | 92,976 | 9 | 59,365 |
| Theme Development | | 50,000 | 15,000 | | 35,000 |
| Transportation | 40,055 | 34,500 | 26,500 | | 48,055 |
| Landmark Buildings | | 200,000 | 200,000 | | |
| Student Employment | 1,887 | | | 1,887 | |
| | <u>\$1,671,421</u> | <u>\$1,302,082</u> | <u>\$1,412,804</u> | <u>\$83,360</u> | <u>\$1,477,339</u> |

**BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT
FINANCING AUTHORITY**

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
(604) 387-6803

AUDITOR'S REPORT

To the Chairman and Members of the
British Columbia Housing and Employment Development
Financing Authority, and

To the Minister of Finance and Corporate Relations
Province of British Columbia:

I have examined the balance sheet of the British Columbia Housing and Employment Development Financing Authority as at March 31, 1989 and the statements of revenue, expenditure and accumulated balance, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Housing and Employment Development Financing Act. In my opinion, these transactions were, in all significant respects, in compliance with the Act.

A handwritten signature in dark ink, reading "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
May 5, 1989

BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT
FINANCING AUTHORITY
BALANCE SHEET
AS AT MARCH 31, 1989
ASSETS

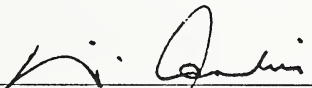
| | <u>1989</u> | <u>1988</u> |
|-------------------------------|--------------------|--------------------|
| Cash and temporary investment | <u>\$1,524,257</u> | <u>\$1,829,476</u> |

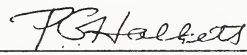
LIABILITIES AND ACCUMULATED BALANCE

| | | |
|---|--------------------|--------------------|
| Accounts payable | \$ 767 | \$ 7,732 |
| Due to the Province of British Columbia | 86 | 30,643 |
| Accrued interest payable | 268,516 | 367,126 |
| Term debt (note 4) | <u>889,200</u> | <u>1,219,300</u> |
| | 1,158,569 | 1,624,801 |
| Accumulated balance | <u>365,688</u> | <u>204,675</u> |
| | <u>\$1,524,257</u> | <u>\$1,829,476</u> |

The four accompanying notes are an integral part of these financial statements.

Approved by the Authority:


Mel Couvelier, Chairman


Philip G. Halkett, Secretary

BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT

FINANCING AUTHORITY

STATEMENT OF REVENUE, EXPENDITURE AND ACCUMULATED BALANCE

FOR THE YEAR ENDED MARCH 31, 1989

| | <u>1989</u> | <u>1988</u> |
|--|-------------------|-------------------|
| Revenue | | |
| Investment income | \$ <u>163,657</u> | \$ <u>37,475</u> |
| | <u>163,657</u> | <u>37,475</u> |
| Expenditure | | |
| Interest on term debt | - | 1,594,759 |
| Administrative costs | <u>2,644</u> | <u>29,594</u> |
| | <u>2,644</u> | <u>1,624,353</u> |
| Excess (Deficiency) of Revenue over Expenditure | 161,013 | (1,586,878) |
| Accumulated Balance, Beginning of Year | <u>204,675</u> | <u>1,791,553</u> |
| Accumulated Balance, End of Year | <u>\$ 365,688</u> | <u>\$ 204,675</u> |

BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT

FINANCING AUTHORITY

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 1989

| | <u>1989</u> | <u>1988</u> |
|---|---------------------|---------------------|
| Operating Transactions | | |
| Excess (Deficiency) of Revenue over Expenditure | \$ 161,013 | \$ (1,586,878) |
| Cash Generated from (Used for): | | |
| Accrued interest payable | (98,610) | (154,228) |
| Due to Province of British Columbia | (30,557) | (463) |
| Accounts payable | <u>(6,965)</u> | <u>348</u> |
| Derived from (Used for) Operations | <u>24,881</u> | <u>(1,741,221)</u> |
| Financing Transactions | | |
| Sources | | |
| Redemption of notes receivable | - | 29,129,099 |
| Proceeds from issue of term debt | <u>-</u> | <u>141,122,669</u> |
| | - | 170,251,768 |
| Uses | | |
| Redemption of term debt | <u>330,100</u> | <u>166,492,142</u> |
| (Used for) Generated from Financing Transactions | <u>(330,100)</u> | <u>3,759,626</u> |
| (Decrease) Increase in Funds | (305,219) | 2,018,405 |
| Funds at Beginning of Year | <u>1,829,476</u> | <u>(188,929)</u> |
| Funds at End of Year | <u>\$ 1,524,257</u> | <u>\$ 1,829,476</u> |

Funds consist of cash and temporary investment.

BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT

FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

1. The Authority

The Authority was established on October 14, 1982 by the Housing and Employment Development Financing Act, S.B.C. 1982 Chapter 34. Section 3 of the Act states that "The purposes of the authority are to create employment by financing housing and other capital projects in British Columbia, and any other programs the committee considers advisable, and to raise money for those purposes by the issue of housing and development bonds".

2. Future operations

The Authority has fulfilled the purpose for which it was created. All notes receivable and term debt have matured and no further debt issues are permissible under the Act. It is the intent of the management of the Authority to request the British Columbia Legislature to dissolve the Authority, by the repeal of the Housing and Employment Development Financing Act, S.B.C. 1982 Chapter 34.

3. Significant accounting policies

Temporary investment consists of units in Province of British Columbia Pooled Investment Portfolio ST1. These units are carried at the lower of cost of acquisition, adjusted by income attributed to the units, and market value.

4. Term debt

| | <u>1989</u> | <u>1988</u> |
|------------------------|-------------------|--------------------|
| Unpresented debentures | | |
| matured March 31, 1986 | <u>\$ 889,200</u> | <u>\$1,219,300</u> |

The Province of British Columbia has unconditionally guaranteed payment of principal and interest on the unpresented debentures of the Authority.

BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION**Thorne Ernst & Whinney**

Chartered Accountants

400 - 625 Agnes Street
New Westminster, B.C.
Canada V3M 5Y4Tel: (604) 526-2411
Fax: (604) 520-6285**AUDITORS' REPORT**

To the Chairman
British Columbia Housing Management Commission

We have examined the combined balance sheet of the Province of British Columbia, Projects and Programs Managed by British Columbia Housing Management Commission, (the Commission) as at December 31, 1988 and the combined statements of revenue and expenditures and Province's account and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these combined financial statements present fairly the financial position of these projects and programs managed by the Commission as at December 31, 1988 and the results of their operations and changes in their financial position for the year then ended in accordance with the accounting policies described in note 1 to the combined financial statements applied on a basis consistent with that of the preceding year.

Thorne Ernst & Whinney

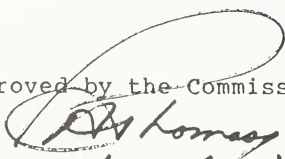
March 25, 1989

PROVINCE OF BRITISH COLUMBIA
PROJECTS AND PROGRAMS MANAGED BY
BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

COMBINED BALANCE SHEET
AS AT DECEMBER 31

| | <u>1988</u> | <u>1987</u> |
|---|---------------------|--------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ - | \$4,171,875 |
| Accounts receivable | 451,650 | 191,139 |
| Prepaid expenses and shelter supplement | 1,842,772 | 851,000 |
| Due from Canada Mortgage and Housing Corporation | <u>7,780,265</u> | <u>2,173,892</u> |
| | 10,074,687 | 7,387,906 |
| LONG-TERM RECEIVABLES | 397,280 | 461,423 |
| DISASTER LOSS FUND (note 3) | 853,690 | 783,399 |
| EQUIPMENT (note 4) | <u>195,695</u> | <u>258,750</u> |
| | <u>\$11,521,352</u> | <u>\$8,891,478</u> |
| | ===== | ===== |
| LIABILITIES AND PROVINCE'S ACCOUNT | | |
| CURRENT LIABILITIES | | |
| Bank indebtedness | \$ 723,536 | \$ - |
| Accounts payable & accrued liabilities | 5,577,959 | 4,351,530 |
| Tenants' prepaid rent | 282,776 | 326,283 |
| Amortization payable | <u>115,521</u> | <u>115,521</u> |
| | 6,699,792 | 4,793,334 |
| DISASTER LOSS RESERVE (note 3) | 853,690 | 783,399 |
| PROVINCE'S ACCOUNT | <u>3,967,870</u> | <u>3,314,745</u> |
| | <u>\$11,521,352</u> | <u>\$8,891,478</u> |
| | ===== | ===== |

Approved by the Commission:



Chairman



Member

See accompanying notes.

PROVINCE OF BRITISH COLUMBIA

PROJECTS AND PROGRAMS MANAGED BY
BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSIONCOMBINED STATEMENT OF REVENUE AND EXPENDITURES
AND PROVINCE'S ACCOUNT
YEARS ENDED DECEMBER 31

| | <u>1988</u> | <u>1987</u> |
|--|------------------------------|------------------------------|
| Revenue: | | |
| Tenant rent | \$22,033,971 | \$21,383,803 |
| Sundry | <u>656,032</u> | <u>499,620</u> |
| | <u>22,690,003</u> | <u>21,883,423</u> |
| Expenditures: | | |
| Amortization | 14,252,394 | 14,257,299 |
| Operating | 12,148,111 | 11,926,421 |
| Shelter supplement | 14,164,294 | 6,114,610 |
| Maintenance | 4,348,962 | 4,711,418 |
| Grants in lieu of taxes (note 5) | 3,955,792 | 3,800,887 |
| Administration | 4,681,902 | 3,934,193 |
| Modernization and improvement | 10,512,915 | 11,445,514 |
| Provincial programs | 2,340,597 | 1,989,366 |
| Working capital interest (note 2) | <u>531,566</u> | <u>683,283</u> |
| | <u>66,936,533</u> | <u>58,862,991</u> |
| Operating deficit | 44,246,530 | 36,979,568 |
| Interest income, net | <u>463,790</u> | <u>597,680</u> |
| Excess of expenditures over revenue | 43,782,740 | 36,381,888 |
| Less Canada Mortgage and Housing Corporation subsidy share | <u>26,217,871</u> | <u>21,423,777</u> |
| Net Provincial share of expenditures | 17,564,869 | 14,958,111 |
| Subsidy receipts | <u>18,217,994</u> | <u>15,491,900</u> |
| | 653,125 | 533,789 |
| Province's account, beginning of year | <u>3,314,745</u> | <u>2,780,956</u> |
| Province's account, end of year | <u>\$ 3,967,870</u> ===== | <u>\$ 3,314,745</u> ===== |

See accompanying notes.

PROVINCE OF BRITISH COLUMBIA

PROJECTS AND PROGRAMS MANAGED BY
BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSIONCOMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEARS ENDED DECEMBER 31

| | <u>1988</u> | <u>1987</u> |
|--|---------------------|---------------------|
| Operating activities: | | |
| Excess of expenditures over revenue | \$43,782,740 | \$36,381,888 |
| (Deduct) items not affecting working capital: | | |
| Depreciation | (92,570) | (63,742) |
| Loss on sale of equipment | - | (45,869) |
| Changes in non-cash working capital balances relating to operations: | | |
| Accounts receivable | 260,511 | 165,208 |
| Prepaid expenses and shelter supplement | 991,772 | (133,404) |
| Long-term receivables | (64,143) | - |
| Accounts payable & accrued liabilities | (1,226,428) | 1,209,187 |
| Tenants' prepaid rent | 43,507 | 978 |
| Amortization payable | - | 34,836 |
| Cash applied to operations | <u>43,695,389</u> | <u>37,549,082</u> |
| Investing activities: | | |
| Additions to equipment | 29,515 | 275,045 |
| Proceeds on sale of equipment | - | (16,960) |
| Cash applied to investing activities | <u>29,515</u> | <u>258,085</u> |
| Financing activities: | | |
| Subsidy receipts: | | |
| Province of British Columbia | 18,217,994 | 18,547,896 |
| Canada Mortgage and Housing Corporation | <u>20,611,499</u> | <u>26,107,016</u> |
| Cash provided by financing activities | <u>38,829,493</u> | <u>44,654,912</u> |
| Increase (decrease) in cash position during the year | (4,895,411) | 6,847,745 |
| Cash position (bank indebtedness), beginning of year | <u>4,171,875</u> | <u>(2,675,870)</u> |
| Cash position (bank indebtedness), end of year | <u>\$ (723,536)</u> | <u>\$ 4,171,875</u> |

See accompanying notes.

PROVINCE OF BRITISH COLUMBIA

PROJECTS AND PROGRAMS
MANAGED BY BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSIONNOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1988

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of financial statement presentation

These statements combine six separate financial statements of projects and programs operated by the Province of British Columbia (Ministry of Social Services and Housing), and each has its own subsidy sharing agreement and is managed by British Columbia Housing Management Commission (the Commission).

The statements are prepared in accordance with generally accepted accounting policies for governments with the exception that the Commission has set up a disaster loss fund (note 3) to provide for claims below the deductible amounts of insured properties and for damages to uninsured items.

b) Amortization

These statements do not include the capital cost of the projects, however, amortization in lieu of depreciation and interest on capital costs is in part payable to the Provincial Rental Housing Corporation and in part credited to Canada Mortgage and Housing Corporation based on schedules provided by the participants.

c) Tenant rent revenue

Tenant rent revenue represents rent charged to residents, and is determined as the lesser of market rent and a percentage of the residents' income.

d) Equipment

All purchases are recorded as program operating expenditures, except for computer hardware and software which are recorded at cost and depreciated on the straight line basis over five and three years respectively.

2. WORKING CAPITAL INTEREST

The Province of British Columbia, through its Wholly Provincial Projects and Programs account, provides working capital to the projects and programs managed by the Commission, at interest rates agreed to by the participants.

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1988 (CONTD.)

3. DISASTER LOSS FUND

This fund, financed by the Province of British Columbia and Canada Mortgage and Housing Corporation, provides for claims below the deductible amounts of insured properties and for damages to uninsured items.

| | 1988 | 1987 |
|----------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 783,399 | \$ 732,537 |
| Working capital interest | 75,767 | 71,509 |
| | 859,166 | 804,046 |
| Less claims expense | 5,476 | 20,647 |
| Balance, end of year | <u>\$ 853,690</u> | <u>\$ 783,399</u> |

4. EQUIPMENT

| | Cost | Accumulated depreciation | 1988 Net | 1987 Net |
|-----------------------|-------------------|-----------------------------|-------------------|-------------------|
| Computer hardware | \$ 289,882 | \$ 187,123 | \$ 102,759 | \$ 160,735 |
| Computer software | 200,475 | 107,539 | 92,936 | 98,015 |
| Balances, end of year | <u>\$ 490,357</u> | <u>\$ 294,662</u> | <u>\$ 195,695</u> | <u>\$ 258,750</u> |

5. GRANTS IN LIEU OF TAXES

The Commission, on behalf of the Province of British Columbia and Canada Mortgage and Housing Corporation, pays each municipality a grant equivalent to property taxes due for all residential properties and projects managed.

6. LEASE COMMITMENTS

The Commission has minimum rental obligations under operating leases for office space to be expensed over the next five years as follows: \$482,000 in 1989, \$491,000 in 1990, \$425,000 in 1991, \$411,000 in 1992, and \$410,000 in 1993.

7. COMPARATIVE INFORMATION

Certain 1987 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1988.

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY

**Deloitte
Haskins+Sells**

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(604) 669-4466
Telex 04-54414

REPORT OF THE AUDITORS

To The Lieutenant-Governor in Council,
Province of British Columbia:

We have examined the consolidated balance sheet of British Columbia Hydro and Power Authority as at March 31, 1989 and the consolidated statements of operations, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of British Columbia Hydro and Power Authority as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants

May 26, 1989

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEARS ENDED MARCH 31
(in millions)

| 1988 | | | 1989 | | |
|---|------------|--------------|--------------|------------|--------------|
| Domestic | Export | Total | Domestic | Export | Total |
| REVENUES (Note 2) | | | | | |
| \$ 548 | \$ - | \$ 548 | \$ 588 | \$ - | \$ 588 |
| 547 | - | 547 | 579 | - | 579 |
| 373 | - | 373 | 397 | - | 397 |
| 66 | 184 | 250 | 96 | 109 | 205 |
| <u>1,534</u> | <u>184</u> | <u>1,718</u> | <u>1,660</u> | <u>109</u> | <u>1,769</u> |
| 200 | 74 | 274 | 212 | 52 | 264 |
| <u>1,334</u> | <u>110</u> | <u>1,444</u> | <u>1,448</u> | <u>57</u> | <u>1,505</u> |
| GROSS MARGIN | | | | | |
| EXPENSES | | | | | |
| 195 | - | 195 | 173 | - | 173 |
| 56 | - | 56 | 88 | - | 88 |
| 74 | - | 74 | 80 | - | 80 |
| 218 | - | 218 | 225 | - | 225 |
| <u>543</u> | <u>-</u> | <u>543</u> | <u>566</u> | <u>-</u> | <u>566</u> |
| OPERATING INCOME BEFORE FINANCE CHARGES | | | | | |
| 791 | 110 | 901 | 882 | 57 | 939 |
| <u>827</u> | <u>-</u> | <u>827</u> | <u>872</u> | <u>-</u> | <u>872</u> |
| (36) | 110 | 74 | 10 | 57 | 67 |
| Net rate stabilization transfers (Note 6) | | | | | |
| - | (38) | (38) | - | 15 | 15 |
| INCOME (LOSS): | | | | | |
| \$ (36) | \$ 72 | 36 | \$ 10 | \$ 72 | 82 |
| | | 19 | | | 4 |
| | | <u>\$ 55</u> | | | <u>\$ 86</u> |
| NET INCOME | | | | | |

Certain 1988 figures have been restated to conform with the presentation used for 1989 (Note 7).

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEARS ENDED MARCH 31
(in millions)

| <u>1988</u> | | <u>1989</u> |
|--------------|------------------------------|--------------|
| \$540 | Balance at beginning of year | \$595 |
| <u>55</u> | Net income | <u>86</u> |
| <u>\$595</u> | Balance at end of year | <u>\$681</u> |

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
 CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
 FOR THE YEARS ENDED MARCH 31
 (in millions)

| <u>1988</u> | | <u>1989</u> |
|--------------|--|--------------|
| | OPERATING ACTIVITIES | |
| \$ 74 | Operating income | \$ 67 |
| 218 | Depreciation | 225 |
| 31 | Other non-cash items including working capital changes | (40) |
| 323 | Funds provided by continuing operations | 252 |
| 18 | Funds provided by discontinued operations | 14 |
| <u>341</u> | Funds provided by operating activities | <u>266</u> |
| | INVESTING ACTIVITIES | |
| (163) | Fixed asset expenditures | (210) |
| 30 | Contributions in aid of construction | 25 |
| 8 | Net proceeds from property sales | 33 |
| <u>(125)</u> | Funds used for investing activities | <u>(152)</u> |
| | FINANCING ACTIVITIES | |
| 496 | Revolving borrowings | 845 |
| - | Preferred funding | 235 |
| 9 | Bonds, notes and debentures - issued | 94 |
| (648) | - retired, including sinking fund changes | (1,507) |
| <u>(143)</u> | Funds used for financing activities | <u>(333)</u> |
| | SALE OF BUSINESSES | |
| - | Proceeds from sale of Gas and Rail Services | 787 |
| - | Payment to the Province | (220) |
| - | Pension plan payments (Note 11) | (50) |
| - | Costs related to sale of businesses | (24) |
| - | Debenture from B.C. Gas Inc. | (300) |
| <u>-</u> | Funds provided by sale of businesses | <u>193</u> |
| 73 | INCREASE (DECREASE) IN FUNDS | (26) |
| <u>24</u> | FUNDS AT BEGINNING OF YEAR | <u>97</u> |
| <u>\$ 97</u> | FUNDS AT END OF YEAR | <u>\$ 71</u> |

Funds at beginning and end of year consist of temporary investments.

Certain 1988 figures have been restated to conform with the presentation used for 1989 (Note 7).

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(tabular amounts expressed in millions
of dollars unless otherwise stated)

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

British Columbia Hydro and Power Authority ("B.C. Hydro") is a Crown corporation of the Province of British Columbia (the "Province"). B.C. Hydro is regulated by the British Columbia Utilities Commission (the "Commission"). The accounting policies of B.C. Hydro conform to accounting principles generally accepted in Canada. A description of the significant accounting policies follows. See Note 6 for an explanation of the Rate Stabilization Account.

Consolidation

The consolidated financial statements include the financial statements of B.C. Hydro and all of its subsidiary companies. Principal subsidiaries of the company, all of which are wholly-owned, are Powertech Laboratories Inc., Western Integrated Technologies Inc., Westech Information Systems Inc., British Columbia Power Export Corporation, B.C. Hydro International Limited and Columbia Estates Company, Limited.

Revenues

Domestic revenues represent sales of energy to customers within the Province and sales of firm energy to those outside the Province (mainly Seattle and Point Roberts, Washington and Hyder, Alaska) with whom B.C. Hydro has long-term commitments.

Export revenues are derived from energy sales made outside the Province other than those classified as domestic. These sales are surplus to B.C. Hydro's domestic energy requirements.

Customers are billed on a cyclical basis for energy deliveries with unbilled deliveries being accrued and included in revenues.

Fixed Assets

Fixed assets in service consist principally of land, water rights, storage dams and plant for the generation, transmission and distribution of electricity, and include the cost of plant financed by contributions in aid of construction and contributions arising from the Columbia River Treaty.

Fixed assets are carried at cost which includes materials, direct labour and appropriate portions of engineering, administration and finance charges.

The costs of any capital development studies which are deferred for more than one year are amortized on a straight-line basis at 20% per annum during the deferral period. Capital projects which are deferred, but for which there is a reasonable probability of proceeding, have a provision made for any reduction in the value of project costs. The costs of capital development studies and capital projects which are abandoned or subject to indefinite deferral are written off.

Depreciation

Depreciation is provided on all depreciable assets in service as at the beginning of each year based on the average service life of the assets and is computed using the straight-line method.

Finance Charges Capitalized

B.C. Hydro capitalizes finance charges at rates equivalent to the cost of borrowing those funds expended on construction projects during each year of construction.

Temporary Investments

Temporary investments are valued at the lower of cost and market.

Materials and Supplies

Materials and supplies are valued at average cost, less provisions for decline in value.

Property Held For Sale

Property held for sale is valued at the lower of cost and net estimated realizable value.

Foreign Currency Translation

Long-term debt, sinking funds, current assets and current liabilities denominated in a foreign currency are translated into Canadian currency at the rate of exchange prevailing at the balance sheet date. U. S. currency liabilities which are hedged are converted at the rate established by the terms of the hedge instrument.

Unrealized gains and losses arising from the translation of long-term debt and sinking funds are deferred and amortized over the remaining term of the debt. The annual amortization is determined by dividing the unamortized balance of the gains and losses by the sum of the remaining years, except that for the last four years the unamortized balance is written off on

a straight line basis. Foreign exchange gains and losses on current assets and current liabilities are included in income.

Debt Discount and Issue Costs

Discount and issue costs on long-term debt are amortized on a straight-line basis over the term of the respective debt.

Deferred Revenue

Deferred revenue consists primarily of amounts received under the Skagit River Agreements. These amounts are deferred and included in income on an annuity basis over the energy delivery period ending in fiscal 2066.

Contributions

Contributions in aid of construction are amounts received from certain customers toward the costs of the extension of services. These amounts are amortized over the estimated service lives of the related assets at an amount equal to the corresponding annual provision for depreciation. Contributions received in respect of unfinished construction are not amortized until the assets are placed in service.

Contributions arising from the Columbia River Treaty are amortized over the period ending in fiscal 2025, the minimum term of the Treaty, at an amount equal to the corresponding annual provision for depreciation of the related assets.

Pension Costs

The costs of pension benefits for employee services for the year, determined on an actuarial basis in accordance with the terms of the pension plan agreement, are included in pension expense. Pension expense also includes amortization of the initial net pension surplus, the cost of past service benefits and experience gains and losses. Amortization is on a straight-line basis over the expected average remaining service life of pension plan members. Pension fund investments are valued at a five-year average of market-related value.

NOTE 2 RATE ADJUSTMENTS

There have been no increases to domestic electricity rates since April 1, 1986.

NOTE 3 COST OF ENERGY

| 1988 | | | 1989 | | | |
|-----------------|---------------|--------------|-------------------------|---------------|--------------|----------|
| <u>Domestic</u> | <u>Export</u> | <u>Total</u> | <u>Domestic</u> | <u>Export</u> | <u>Total</u> | |
| \$188 | \$ 33 | \$221 | Water rentals | \$197 | \$ 14 | \$211 |
| 9 | - | 9 | Fuel for generation | 12 | 11 | 23 |
| 2 | 21 | 23 | Purchase of electricity | 2 | 19 | 21 |
| <u>1</u> | <u>20</u> | <u>21</u> | Transmission charges | <u>1</u> | <u>8</u> | <u>9</u> |
| \$200 | \$ 74 | \$274 | | \$212 | \$ 52 | \$264 |

Water rentals are amounts paid to the Province on the use of water in hydro-electric generation. Fuel for generation includes natural gas for the Burrard Thermal Generating Plant and fuel for service areas which are not part of the integrated system. Purchases of electricity are from other utilities and independent power producers. Transmission charges are paid to other utilities for the use of their transmission lines.

NOTE 4 EARLY RETIREMENT INCENTIVE PROGRAM

In fiscal 1988 B.C. Hydro offered an early retirement incentive program to all employees meeting certain criteria of age and service. As a result, employee compensation for 1988 includes amounts for lump sum payments to retirees, payments to the pension plan for waivers of pension reductions normally arising on early retirement and estimated future indexing of these pension waivers.

NOTE 5 FINANCE CHARGES

| <u>1988</u> | | <u>1989</u> |
|---------------|--|---------------|
| \$ 954 | Interest on bonds, notes and debentures | \$ 827 |
| 15 | Interest on revolving borrowing facility | 109 |
| | Amortization of deferred charges: | |
| 10 | Foreign exchange gains and losses | 9 |
| 14 | Debt discount and issue costs | 7 |
| (18) | Loss (gain) on extinguished debt (Note 9) | 80 |
| 2 | Other | 6 |
| <u>977</u> | | <u>1,038</u> |
| 98 | Less: Income from sinking fund investments | 113 |
| 1 | Income from temporary investments | 7 |
| - | Income from term debenture | 27 |
| 48 | Allocated to discontinued operations | 15 |
| <u>147</u> | | <u>162</u> |
| 830 | | 876 |
| 3 | Less: Finance charges capitalized | 4 |
| <u>\$ 827</u> | | <u>\$ 872</u> |

The effective rate for finance charges capitalized to unfinished construction for fiscal 1989 was 10.0% (1988 - 9.2%).

NOTE 6 RATE STABILIZATION ACCOUNT

The Commission directed B.C. Hydro to create, as of March 31, 1982, an account to be known as the rate stabilization account derived from export sales of surplus electric energy (exclusive of sales made under certain export contracts) less associated direct expenses. Directives from the Commission over the past two years have resulted in the following transfers to and from the account:

| <u>1988</u> | | <u>1989</u> |
|--------------|-------------------------------------|--------------|
| \$ - | Balance at beginning of the year | \$ 38 |
| 110 | Transfer from income to the account | 57 |
| <u>(72)</u> | Transfer from the account to income | <u>(72)</u> |
| <u>38</u> | Net rate stabilization transfers | <u>(15)</u> |
| <u>\$ 38</u> | Balance at end of the year | <u>\$ 23</u> |

Transfers to the Account

All revenues from export sales, less associated direct expenses, were transferred to the account.

Transfers from the Account

Transfers from the account to income were limited to:

1989 - an amount of \$72 million.

1988 - revenues from the first \$116 million of export sales, less associated direct expenses.

NOTE 7: SALE OF BUSINESSES

During the year B.C. Hydro sold its non-electric businesses to the private sector: the Mainland Gas Service on July 16, 1988, the Rail Service on August 31, 1988 and the Victoria Gas Service on February 28, 1989. The Mainland Gas Service was sold for \$741 million and the Rail Service for \$38 million. The agreement for the sale of the Victoria Gas Service was for \$17 million, of which \$11 million is conditional upon the delivery of natural gas to Victoria, British Columbia, prior to January 1, 2002.

The net book value of the fixed assets of the businesses sold was \$474 million. After deducting amounts for costs, adjustments and a provision for pension payments associated with the sales, an amount representing the net gain of \$220 million was paid to the Province pursuant to the requirements of the Hydro and Power Authority Privatization Act.

Income from discontinued operations of \$4 million for these services for the respective periods to the dates of sale, as noted above, is shown on a net basis in the consolidated statement of operations. The operating results for the year ended March 31, 1988 have also been restated on a net basis. Revenues from the discontinued operations were \$392 million for the year ended March 31, 1988 while expenses for the same period were \$373 million. Revenues and expenses for the period to the respective dates of sale in fiscal 1989 have not been provided as they are not considered to provide meaningful information.

NOTE 8 FIXED ASSETS

| As at March 31, 1988 | | As at March 31, 1989 | | | | | |
|---------------------------------------|-------------------------|-------------------------|-----------------------------|----------------------|-----------------------------|-------------------------------|---------------------------------------|
| Composite Depreciation Rate (%) | Total Net Book Value | Fixed Assets in Service | | | Unfinished Construction* | Total Net Book Value | Composite Depreciation Rate (%) |
| | | Original Cost | Accumulated Depreciation | Net Book Value | | | |
| 1.57 | \$4,275 | \$4,991 | \$ 897 | \$4,094 | \$ 88 | 4,182 | 1.57 |
| 2.41 | 1,827 | 2,295 | 518 | 1,777 | 17 | 1,794 | 2.40 |
| 2.94 | 937 | 1,291 | 377 | 914 | 15 | 929 | 2.93 |
| 3.81 | 976 | 1,520 | 520 | 1,000 | 27 | 1,027 | 3.82 |
| | | | | | | | |
| 4.39 | 154 | 324 | 134 | 190 | 6 | 196 | 4.86 |
| 6.32 | 72 | 91 | 26 | 65 | - | 65 | 9.21 |
| | | | | | | | |
| 8.59 | 17 | 56 | 41 | 15 | - | 15 | 8.50 |
| 4.05 | 35 | 40 | 7 | 33 | 4 | 37 | 3.70 |
| | | | | | | | |
| | \$8,293 | \$10,608 | \$ 2,520 | \$8,088 | \$ 157 | \$8,245 | |

* Unfinished construction includes \$84 million (1988 - \$92 million) in deferred capital project costs mainly relating to the Peace Site C and Murphy-Keenleyside deferred capital projects.

NOTE 9 LONG-TERM DEBT

| | As at March 31, 1988 | | | As at March 31, 1989 | | |
|---------------------------------|--------------------------------|-----------------|----------------|--------------------------------|-----------------|----------------|
| | <u>U.S. (*)</u> | <u>Cdn. (*)</u> | <u>Total</u> | <u>U.S. (*)</u> | <u>Cdn. (*)</u> | <u>Total</u> |
| Maturing in: | | | | | | |
| 1989 | \$ 427 (13.4) | \$ 166 (7.8) | \$ 593 | \$ - | \$ - | \$ - |
| 1990 | 294 (14.0) | 290 (10.3) | 584 | 256 (14.6) | 290 (10.3) | 546 |
| 1991 | 36 (9.5) | 111 (7.8) | 147 | - | 111 (7.8) | 111 |
| 1992 | 127 (6.8) | 249 (7.1) | 376 | 95 (5.8) | 249 (7.1) | 344 |
| 1993 | 281 (12.6) | 164 (6.0) | 445 | 249 (13.0) | 164 (6.9) | 413 |
| 1994 | - | - | - | - | 177 (7.1) | 177 |
| 1 - 5 years | 1,165 (12.5) | 980 (8.1) | 2,145 | 600 (12.5) | 991 (8.1) | 1,591 |
| 6 - 10 years | 499 (10.4) | 791 (8.2) | 1,290 | - | 786 (8.5) | 786 |
| 11 - 15 years | 124 (10.3) | 1,121 (9.7) | 1,245 | 119 (10.3) | 1,350 (9.9) | 1,469 |
| 16 - 20 years | 649 (8.8) | 1,099 (11.2) | 1,748 | 627 (8.8) | 793 (11.7) | 1,420 |
| 21 - 25 years | 1,547 (14.3) | 151 (13.5) | 1,698 | 1,491 (14.3) | 150 (13.5) | 1,641 |
| Bonds, notes and debentures | 3,984 (12.3) (U.S. \$3,204) | 4,142 (9.6) | 8,126 | 2,837 (12.6) (U.S. \$2,355) | 4,070 (9.7) | 6,907 |
| Less: | | | | | | |
| Sinking funds | 382 (U.S. \$309) | 674 | 1,056 | 388 (U.S. \$325) | 769 | 1,157 |
| Term debenture | - | - | - | - | 300 | 300 |
| Repurchased debt | - | - | - | 134 (U.S. \$111) | - | 134 |
| Net bonds, notes and debentures | 3,602 (U.S. \$2,895) | 3,468 | 7,070 | 2,315 (U.S. \$1,919) | 3,001 | 5,316 |
| Revolving borrowing facility | - | 612 | 612 | - | 1,458 | 1,458 |
| Long-term debt | <u>\$3,602</u> | <u>\$4,080</u> | <u>\$7,682</u> | <u>\$2,315</u> | <u>\$4,459</u> | <u>\$6,774</u> |

* Weighted average coupon rate.

B.C. Hydro's long-term debt comprises bonds, notes and debentures, almost all of which have annual sinking fund requirements, and revolving borrowings obtained under a borrowing agreement with the Province. Long-term debt is presented net of related sinking funds, B.C. Hydro debt repurchased from the market and a term debenture receivable which has been committed to debt repayments. The March 31, 1989 foreign exchange rate used by B.C. Hydro was 83.86 U.S. cents per Canadian dollar.

Repurchased Debt

Repurchased debt comprises B.C. Hydro bonds, notes and debentures purchased from the market but not cancelled or otherwise extinguished.

Revolving Borrowing Facility

Funds obtained under a borrowing agreement with the Province will be repaid either from the issue of bonds, notes or debentures or further revolving borrowings extending beyond the next fiscal year. They have, therefore, been classified as long-term debt. The borrowings under the agreement are unsecured, have an authorization limit of \$2.0 billion and bear interest at prevailing money market rates. At March 31, 1989 these funds had a weighted average term to maturity of 116 days at an average coupon rate of 12.4% compared to 84 days and 8.7% as at March 31, 1988.

Extinguished Debt

During the year, B.C. Hydro purchased and cancelled U.S. \$181 million of bonds. In addition, sufficient government guaranteed securities were deposited in an irrevocable trust to satisfy the scheduled interest and principal repayment requirements of U.S. \$299 million in bonds. These obligations are considered extinguished for financial reporting purposes and, together with the related securities, have been removed from B.C. Hydro's consolidated balance sheet. The accounting loss of \$80 million arising from these transactions has been included in finance charges.

In fiscal 1988, B.C. Hydro deposited sufficient securities of the Province in an irrevocable trust to satisfy the scheduled interest and principal repayment requirements of Cdn. \$100 million in bonds. These obligations are considered extinguished for financial reporting purposes and, together with the related securities, have been removed from B.C. Hydro's consolidated balance sheet. The accounting gain of \$18 million arising from this transaction has been included in finance charges.

Cash Requirements

Total maturity payments and sinking fund instalments on bonds, notes and debentures outstanding as at March 31, 1989, by year of payment are disclosed in the following table. U.S. cash requirements are shown in millions of U.S. dollars. At March 31, 1989 there were 114 Canadian dollar (1988 - 124) and 15 U.S. dollar (1988 - 21) debt issues outstanding.

Guarantee by the Province of British Columbia

B.C. Hydro's outstanding debt is either held or guaranteed as to principal, interest and premium, if any, by the Province.

Sinking Funds

Sinking funds are held by the Trustee, the Minister of Finance and Corporate Relations for the Province. Sinking fund income is recorded as a reduction of finance charges.

Sinking fund changes in the year comprised:

| <u>1988</u> | | <u>1989</u> |
|----------------|------------------------------|---------------|
| \$ 102 | Instalments | \$ 130 |
| 98 | Income reinvested | 113 |
| <u>(123)</u> | Surpluses recovered | <u>-</u> |
| 77 | | 243 |
| (75) | Withdrawals - debt repayment | (103) |
| (100) | - debt extinguishment | (25) |
| <u>(22)</u> | Foreign exchange adjustments | <u>(14)</u> |
| <u>\$(120)</u> | Total sinking fund changes | <u>\$ 101</u> |

Term Debenture

A term debenture has been issued to B.C. Hydro by B.C. Gas Inc. in part settlement of the sale of the Mainland Gas Service. B.C. Hydro has entered into a trust arrangement with the Province whereby the interest and principal payments from B.C. Gas Inc. are to be applied against B.C. Hydro's general indebtedness to the Province.

The term debenture bears interest at 10.75% per annum payable semi-annually and is repayable in four equal annual payments of \$75 million on October 1 from 1990 to 1993. The debenture is secured by a first fixed mortgage on the assets of B.C. Gas Inc. and a guarantee from Inland Natural Gas Co. Ltd. B.C. Gas Inc. may repay the debenture at an earlier date.

| | Sinking Funds | | Net Debt Maturities* | | Total | |
|-------------|---------------|---------------|----------------------|----------------|---------------|----------------|
| | U.S. | Cdn. | U.S. | Cdn. | U.S. | Cdn. |
| 1990 | \$ 26 | \$ 46 | \$ 165 | \$ 282 | \$ 191 | \$ 328 |
| 1991 | 26 | 45 | - | 90 | 26 | 135 |
| 1992 | 26 | 44 | - | 180 | 26 | 224 |
| 1993 | 23 | 43 | 105 | 108 | 128 | 151 |
| 1994 | 23 | 42 | - | 111 | 23 | 153 |
| 1990 - 1994 | 124 | 220 | 270 | 771 | 394 | 991 |
| 1995 - 1999 | 116 | 188 | - | 275 | 116 | 463 |
| 2000 - 2004 | 106 | 123 | - | 64 | 106 | 187 |
| 2005 - 2009 | 80 | 17 | - | 118 | 80 | 135 |
| 2010 - 2014 | 34 | 2 | 2 | - | 36 | 2 |
| | <u>\$ 460</u> | <u>\$ 550</u> | <u>\$ 272</u> | <u>\$1,228</u> | <u>\$ 732</u> | <u>\$1,778</u> |

* Net debt maturities are determined after deducting sinking funds estimated to be available at maturity. This estimate is based on assumed earnings of 10.2% on existing sinking fund investments and future sinking fund instalments.

None of the above cash requirements are considered current as at March 31, 1989 as management intends to finance the payments from the issue of bonds, notes or debentures or further revolving borrowings extending beyond the next fiscal year.

Hedged U.S. Dollar Debt

At March 31, 1989 U.S. \$312 million (1988 - U.S. \$315 million) of debt and future sinking-fund instalments was hedged with forward exchange contracts. A further U.S. \$436 million (1988 - U.S. \$309 million) of debt was hedged by the holding of U.S. dollar denominated securities in sinking funds and repurchased debt. As a result of these transactions, as at March 31, 1989 B.C. Hydro had a net foreign currency exposure in U.S. debt of U.S. \$1,607 million (1988 - U.S. \$2,580 million).

Redemption Provisions

Certain B.C. Hydro debt held by the Canada Pension Plan Investment Fund and by the Minister of Finance and Corporate Relations of the Province contains provisions allowing holders to redeem the debt prior to maturity, in whole or in part, subject to certain restrictions. At March 31, 1989 this debt amounted to \$771 million (1988 - \$752 million) net of sinking funds.

NOTE 10 PREFERRED FUNDING

In November 1988, the Province provided \$235 million of term cumulative preferred funding to B.C. Hydro. The preferred funding is redeemable in November 2008. The Province is entitled to annual dividends at rates that approximate market borrowing rates. Payment of dividends, which are cumulative, may be deferred in any year by the Board of Directors.

NOTE 11 PENSION PLAN

Employees of B.C. Hydro contribute to a jointly-funded pension plan which provides a defined benefit pension based on years of membership service and highest five-year average pensionable earnings. A portion of the required contributions under the plan is applied to provide for annual cost-of-living increases (indexing) to pensioners. Both the basic contribution and the indexing contribution are matched by B.C. Hydro. In addition, in both fiscal 1989 and 1988 B.C. Hydro made special annual contributions of \$4 million to fund past service pension costs and accrued deficits which arose in prior years from plan amendments and changes in actuarial assumptions.

Annual actuarial valuations are obtained to determine the present value of the plan liability for pension benefits accrued to the date of the valuation. These actuarial liabilities are compared with the average market-related value of the pension plan assets to determine whether a net pension surplus or deficit exists. Based upon an extrapolation from preliminary actuarial valuation results as at December 31, 1988, the estimated present value of accrued pension benefits was \$785 million as at March 31, 1989 and the pension plan assets available for these benefits at that date amounted to \$804 million, resulting in a surplus of \$19 million.

As a result of the sale of businesses the pension plan will incur additional costs. These costs are the future indexing of vested pensions provided to employees of the sold businesses who will no longer contribute to the plan and the cost impact of the removal of funds by those employees of the sold businesses who have elected to withdraw their accrued pensions from the plan. The actuary has estimated that the maximum cost to the fund should not exceed \$50 million. B.C. Hydro has paid \$15 million into the pension fund, and a further \$35 million is held in trust to be paid into the fund, if needed, upon the determination of the final cost to the plan.

NOTE 12 COMPARATIVE FIGURES

Certain of the fiscal 1988 comparative figures have been reclassified to conform with the current year's presentation.

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Chairman and Members of the Board of Governors of
British Columbia Institute of Technology, and

To the Minister of Advanced Education and Job Training,
Province of British Columbia:

I have examined the balance sheet of British Columbia Institute of Technology as at March 31, 1989, the statement of revenue and expenditure and changes in fund balances, and the statements of revenue and of expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Institute as at March 31, 1989 and the results of its operations and the changes in its fund balances for the year then ended in accordance with accounting principles described in note 2 to the financial statements applied, on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 12, 1989


BRITISH COLUMBIA INSTITUTE OF TECHNOLOGYBALANCE SHEET


as at March 31, 1989

(thousands of dollars)

| | Operating Fund | Special Purpose Fund | Ancillary Services Fund | Capital Fund | Trust Funds | Total | 1988 Total |
|--------------------------------------|-------------------|----------------------------|-------------------------------|-----------------|----------------|-----------|---------------|
| <u>ASSETS</u> | | | | | | | |
| Cash and Term Deposits (Note 8) | \$24,559 | \$ 104 | \$ - | \$ - | \$254 | \$ 24,917 | \$ 5,697 |
| Funds Held In Trust (Note 3) | - | - | - | 2,326 | - | 2,326 | 3,602 |
| Accounts Receivable | | | | | | | |
| -Province of British Columbia | 328 | - | - | - | - | 328 | 183 |
| -Other | 1,475 | - | - | - | - | 1,475 | 1,213 |
| Loans Receivable | - | 16 | - | - | - | 16 | 18 |
| Inventories (Note 4) | 489 | - | 525 | - | - | 1,014 | 879 |
| Prepaid Expenses | 88 | - | - | - | - | 88 | 325 |
| Bonds - at cost (Note 5) | - | - | - | - | 291 | 291 | 291 |
| Investment in Teaching Facilities | | | | | | | |
| at Associated Hospital (Note 6) | - | - | - | 1,267 | - | 1,267 | 1,113 |
| Land, Buildings and Equipment | - | - | - | 72,896 | - | 72,896 | 68,454 |
| (Notes 7 and 10) | | | | | | | |
| Interfund Advances | (17,920) | 9,415 | (525) | 8,580 | 450 | - | - |
| | \$ 9,019 | \$9,535 | \$ - | \$85,069 | \$995 | \$104,618 | \$81,775 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | | | |
| Accounts Payable and Accrued | | | | | | | |
| Liabilities | \$ 6,206 | \$ - | \$ - | \$ - | \$ - | \$ 6,206 | \$ 4,343 |
| Deferred Revenue | 2,239 | - | - | - | - | 2,239 | 2,065 |
| Short-Term Borrowings (Note 8) | - | - | - | 2,840 | - | 2,840 | 2,690 |
| Long-Term Debt (Note 9) | - | - | - | 21,561 | - | 21,561 | 21,461 |
| Mortgage Payable (Note 10) | - | - | - | 2,475 | - | 2,475 | 2,481 |
| Net Investment in Land, Buildings | | | | | | | |
| and Equipment (Note 11) | - | - | - | 47,091 | - | 47,091 | 43,117 |
| Fund Balances | 574 | 9,535 | - | 11,102 | 995 | 22,206 | 5,618 |
| | \$ 9,019 | \$9,535 | \$ - | \$85,069 | \$995 | \$104,618 | \$81,775 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

Approved:


 E. A. Taylor
 Chairman, Board of Governors


 Clayton E. McKinley, C.A.
 Vice President, Finance

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGYSTATEMENT OF REVENUE AND EXPENDITURE AND CHANGES IN FUND BALANCESfor the year ended March 31, 1989

(thousands of dollars)

| | Operating Fund | Special Purpose Fund | Ancillary Services Fund | Capital Fund | Trust Funds | Total | 1988 Total |
|--|-------------------|----------------------------|-------------------------------|-----------------|----------------|-----------|---------------|
| Revenue | \$76,421 | \$8,436 | \$3,883 | \$16,199 | \$ 670 | \$105,609 | \$87,484 |
| Expenditure | 73,924 | 2,318 | 3,557 | 9,149 | 307 | 89,255 | 87,634 |
| Excess (Deficiency) of Revenue over Expenditure | 2,497 | 6,118 | 326 | 7,050 | 363 | 16,354 | (150) |
| Other Item (Note 3) | - | - | - | 234 | - | 234 | 3,602 |
| Fund Balances | | | | | | | |
| Beginning of Year | (862) | 2,814 | - | 2,624 | 1,042 | 5,618 | 2,166 |
| Interfund Transfers (Note 12) | (1,061) | 603 | (326) | 1,194 | (410) | - | - |
| Fund Balances, End of Year | \$ 574 | \$9,535 | \$ - | \$11,102 | \$ 995 | \$ 22,206 | \$ 5,618 |

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

STATEMENT OF REVENUE

for the year ended March 31, 1989

(thousands of dollars)

| | Operating Fund | Special Purpose Fund | Ancillary Services Fund | Capital Fund | Trust Funds | Total | 1988 Total |
|-------------------------------------|----------------|----------------------|-------------------------|--------------|-------------|-----------|------------|
| <u>REVENUE</u> | | | | | | | |
| Province of British Columbia Grants | | | | | | | |
| Operating | \$58,255 | \$6,277 | \$ - | \$ - | \$ - | \$ 64,532 | \$56,405 |
| Debt Service | - | - | - | 421 | - | 421 | 768 |
| Capital | - | - | - | 9,715 | - | 9,715 | 2,109 |
| Debenture Payment | - | - | - | 3,594 | - | 3,594 | 3,320 |
| Miscellaneous | - | - | - | - | 146 | 146 | - |
| Tuition Fees | 13,563 | 531 | - | - | - | 14,094 | 12,458 |
| Gifts and Donations | - | 99 | - | - | 376 | 475 | 514 |
| Sales and Rentals | | | | | | | |
| Bookstore | - | - | 2,186 | - | - | 2,186 | 2,057 |
| Campus Food Services | - | - | 806 | - | - | 806 | 799 |
| Residences | - | - | 891 | - | - | 891 | 976 |
| Investment Income | 341 | 163 | - | 421 | 144 | 1,069 | 764 |
| Recoveries | | | | | | | |
| Food Training Supplies | 1,794 | - | - | - | - | 1,794 | 2,169 |
| Industry Services | 757 | 619 | - | - | - | 1,376 | 1,170 |
| Miscellaneous | 926 | 579 | - | 59 | - | 1,564 | 1,902 |
| Other Income | 785 | 168 | - | - | 4 | 957 | 848 |
| Capital Funding (Note 2a) | - | - | - | 1,989 | - | 1,989 | 1,225 |
| TOTAL | \$76,421 | \$8,436 | \$3,883 | \$16,199 | \$670 | \$105,609 | \$87,484 |

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGYNOTES TO FINANCIAL STATEMENTSfor the year ended March 31, 19891. The Institute

The British Columbia Institute of Technology is an agent of the Crown and operates under the Institute of Technology Act, R.S.B.C. 1979. The Act is administered by the Minister of Advanced Education and Job Training.

The purpose of the Institute is to provide courses of instruction in technological and vocational fields.

The Institute receives a substantial percentage of its revenues from the Province of British Columbia. The Institute also enters into transactions with the Province of British Columbia and certain Crown corporations, predominantly under prevailing trade terms.

2. Significant Accounting Policies

a) General

These financial statements have been prepared in accordance with the basis of accounting that is appropriate considering the nature and purpose of the Institute. The Institute has adopted the following accounting policies:-

- i) Fund accounting procedures are followed.
- ii) Land, buildings and equipment expenditures are recorded on the Statement of Expenditure in the year in which they are incurred. These expenditures represent capital assets, which are recorded at cost on the Balance Sheet. Net Investment in land, buildings and equipment is recorded as funds are expended to acquire these assets or to repay loans incurred for such transactions.
- iii) Capital lease payments are recorded as expenditures when made. Capital leases are not recorded as assets.
- iv) No provision is made for depreciation on buildings and equipment.
- v) Accrual basis of accounting is followed except that sick leave credits, vacation pay for regular employees and retirement benefits are not accrued. Also, no provision is made for accrued interest on long-term debt.
- vi) Debenture and mortgage principal payments are recorded as expenditures when made.
- vii) Books and periodicals for the library are charged as an expense in the year acquired.
- viii) Capital funding represents funding obtained during the year under various Capital Project Certificates approved by the Province of British Columbia. This funding is used to finance the acquisition of certain capital assets.

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGYNOTES TO FINANCIAL STATEMENTSfor the year ended March 31, 19892. Significant Accounting Policies (Continued)b) Fund Accounting

Available resources and their related expenditures are accounted for in separate funds in accordance with objectives specified by donors, limitations and restrictions imposed by sources outside the Institute, and determinations made by the Board of Governors. In the financial statements, funds with similar characteristics have been combined into major fund divisions which are described below:

- i) Operating - revenue and expenditure relating to the general operation of the Institute, including courses which are specifically approved and specially funded by the Province of British Columbia.
- ii) Special Purpose - revenue and expenditure relating to specific projects which are undertaken by the Institute and specially funded by donors, governments or appropriations from the Operating Fund.
- iii) Ancillary Services - revenue and expenditure relating to the Bookstore, Campus Food Services and Residence operations. Ancillary Services are only charged direct operating costs.
- iv) Capital - revenue and expenditure applicable to the acquisition of capital assets and the servicing of related debt.
- v) Trust - revenue and expenditure authorized and directed under trust arrangements or donated for the provision of student financial assistance and for acquisition of equipment.

3. Funds Held In Trust

The Redford House Student Residence was sold for \$3,400,000 in July 1987. The sale proceeds and interest earned thereon are held in trust, and may be released to the Institute subject to the express written approval by the Minister of Finance and Corporate Relations and the Minister of Advanced Education and Job Training. On May 13, 1988, \$1,500,000 plus interest of \$10,537 was released to the Institute. Interest earned on the Funds Held In Trust amounts to \$234,203 during the year.

4. Inventories

Inventories are recorded at the lower of cost and net realizable value.

| | <u>1989</u> | <u>1988</u> |
|-------------------------|------------------------|--------------|
| | (thousands of dollars) | |
| Operating Fund | | |
| General Supplies | \$ 383 | \$308 |
| Food Supplies | 106 | 100 |
| Ancillary Services Fund | | |
| Bookstore | <u>525</u> | <u>471</u> |
| | <u>\$1,014</u> | <u>\$879</u> |
| | ===== | ===== |

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGYNOTES TO FINANCIAL STATEMENTSfor the year ended March 31, 19895. Bonds

Interest is earned at 11.75% per annum on the principal amount of \$310,000 (market value \$337,528; 1988 - \$348,750). These bonds mature February 1, 2003.

6. Investment in Teaching Facilities at Associated Hospital

The investment represents expenditures made by the Institute for the construction of teaching facilities at St. Paul's Hospital. As the Institute has no legal title to these facilities, this amount is amortized by an amount equal to the annual sinking fund expenditure to retire the related debenture payable.

| | <u>1989</u> | <u>1988</u> |
|--------------------------|------------------------|-------------|
| | (thousands of dollars) | |
| Total Expenditures | \$1,391 | \$1,201 |
| Accumulated Amortization | <u>124</u> | <u>88</u> |
| | \$1,267 | \$1,113 |
| | ===== | ===== |

7. Land, Buildings and Equipment

| | <u>1989</u> | <u>1988</u> |
|--------------------|------------------------|---------------|
| | (thousands of dollars) | |
| Land and Buildings | \$43,433 | \$42,226 |
| Equipment | <u>29,463</u> | <u>26,228</u> |
| | \$72,896 | \$68,454 |
| | ===== | ===== |

A Crown Grant of campus lands and premises made to the Institute by the Province of British Columbia is included in land and buildings at the nominal value of \$1.

Equipment includes donated and transferred items which are recorded at the nominal value of \$1.

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGYNOTES TO FINANCIAL STATEMENTSfor the year ended March 31, 19898. Short-Term Borrowings

| <u>1989</u> | <u>1988</u> |
|---------------|-------------|
| (thousands of | dollars) |

The bank loan is payable on demand and is to be repaid out of future rental income from student residences. This loan is secured by a term deposit of the same amount.

| | |
|---------|---------|
| \$1,200 | \$1,300 |
|---------|---------|

Other bank borrowings under Capital Project Certificates of Approval are to be repaid out of proceeds from debenture issues or by grants from the Province of British Columbia. The Province guarantees the payment of principal and interest owing.

| | |
|-------|-------|
| 1,640 | 1,390 |
|-------|-------|

| | |
|---------|---------|
| \$2,840 | \$2,690 |
| ===== | ===== |

9. Long-Term Debt

Long-term debt consists of debentures issued to the British Columbia Educational Institutions Capital Financing Authority. The proceeds from the debentures are used to retire short-term borrowings.

Terms and amounts are as follows:

| <u>Certificate Number</u> | <u>Maturity Date</u> | <u>Rate</u> | <u>Principal</u> | <u>Accumulated Sinking Fund</u> | <u>Balance March 31</u> | <u>Annual Payments</u> |
|-------------------------------|----------------------|-------------|------------------|-------------------------------------|-----------------------------|----------------------------|
| (thousands of dollars) | | | | | | |
| AB2 | June 20, 1993 | 11.75% | \$ 602 | \$ 275 | \$ 327 | \$ 112 |
| AB6 | June 20, 1993 | 11.75% | 371 | 169 | 202 | 69 |
| GG7 | Nov. 09, 1999 | 10.68% | 1,200 | 423 | 777 | 158 |
| GG11 | June 10, 2000 | 12.01% | 1,000 | 310 | 690 | 145 |
| GG14 | Oct. 10, 2000 | 12.50% | 2,000 | 594 | 1,406 | 299 |
| GG26 | Mar. 10, 2002 | 16.10% | 1,926 | 404 | 1,522 | 352 |
| GG28 | May 10, 2002 | 15.25% | 1,948 | 360 | 1,588 | 340 |
| GG38 | May 02, 2003 | 11.53% | 2,496 | 366 | 2,130 | 342 |
| GG40 | July 04, 2003 | 11.37% | 4,000 | 576 | 3,424 | 542 |
| GG50 | Nov. 02, 2004 | 12.96% | 1,500 | 158 | 1,342 | 227 |
| GG51 | Jan. 04, 2005 | 12.08% | 3,100 | 320 | 2,780 | 442 |
| GG55 | Aug. 08, 2006 | 9.50% | 1,210 | 59 | 1,151 | 141 |
| GG57 | May 08, 2007 | 9.13% | 2,800 | 67 | 2,733 | 317 |
| GG58 | July 10, 2007 | 9.83% | 460 | 11 | 449 | 55 |
| GG60 | Apr. 08, 2008 | 9.62% | 500 | - | 500 | 59 |
| GG62 | June 10, 2008 | 10.31% | 540 | - | 540 | 67 |
| | | | \$25,653 | \$4,092 | \$21,561 | \$3,667 |
| | | | ===== | ===== | ===== | ===== |

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGYNOTES TO FINANCIAL STATEMENTSfor the year ended March 31, 19899. Long-Term Debt (Continued)

Annual payments include interest and sinking fund installments and are to be paid to the British Columbia Educational Institutions Capital Financing Authority from grants received from the Province of British Columbia. The sinking fund installments are held and invested by the Authority to provide for the retirement of the debt. The debentures can be recalled by the Chairman of the British Columbia Educational Institutions Capital Financing Authority by giving not less than five (5) months' notice in writing.

The Province of British Columbia has unconditionally guaranteed the payment of principal and interest on the debentures.

10. Mortgage Payable

A certain portion of the student residences is financed by a 9.50% fixed rate mortgage, repayable at \$19,721 (principal and interest) per month for the remaining term of the mortgage maturing August, 2028. The mortgage is secured by a charge against that portion of the residences.

11. Net Investment in Land, Buildings and Equipment

| | <u>1989</u> | <u>1988</u> |
|---------------------------------|------------------------|-----------------|
| | (thousands of dollars) | |
| Balance, Beginning of Year | \$43,117 | \$39,097 |
| Acquisitions for Year | 2,740 | 3,180 |
| Repayment of Capital Borrowings | 1,332 | 1,469 |
| Disposals | <u>(98)</u> | <u>(629)</u> |
| Balance, End of Year | <u>\$47,091</u> | <u>\$43,117</u> |
| | ===== | ===== |

12. Interfund Transfers

Interfund transfers consist of the following:

| | <u>Operating Fund</u> | <u>Special Purpose Fund</u> | <u>Ancillary Services Fund</u> | <u>Capital Fund</u> | <u>Trust Funds</u> |
|-----------------------------|---------------------------|-------------------------------------|--|-------------------------|------------------------|
| | (thousands of dollars) | | | | |
| Capital Equipment Purchases | \$ (673) | \$(383) | \$ - | \$1,098 | \$(42) |
| Appropriations | (563) | 840 | (5) | 96 | (368) |
| Ancillary Profit Transfers | <u>175</u> | <u>146</u> | <u>(321)</u> | <u>-</u> | <u>-</u> |
| | <u>\$(1,061)</u> | <u>\$ 603</u> | <u>\$(326)</u> | <u>\$1,194</u> | <u>\$(410)</u> |
| | ===== | ===== | ===== | ===== | ===== |

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGYNOTES TO FINANCIAL STATEMENTSfor the year ended March 31, 198913. Student Aid Endowment Fund

The Institute has an endowment fund of \$460,000 with the Vancouver Foundation. This fund is a permanent fund with the Foundation which provides income for scholarships, bursaries and other student aid at the Institute. The fund is not under Institute ownership or control. The Institute had recorded its contributions to the fund as expenditures.

The Institute received amounts totalling \$42,050 (1988 - \$41,480) as income from the fund during the year.

SCHEDULE 1BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

(PREPARED WITHOUT AUDIT)

ANCILLARY SERVICES FUNDSCHEDULE OF REVENUE AND EXPENDITURE AND CHANGES IN FUND BALANCESfor the year ended March 31, 1989

(thousands of dollars)

| | <u>Bookstore</u> | | <u>Campus Food Services</u> | | <u>Residences</u> | | <u>Total</u> | |
|---------------------------------------|------------------|----------------|---------------------------------|--------------|-------------------|--------------|----------------|----------------|
| | <u>1989</u> | <u>1988</u> | <u>1989</u> | <u>1988</u> | <u>1989</u> | <u>1988</u> | <u>1989</u> | <u>1988</u> |
| <u>REVENUE</u> | | | | | | | | |
| Sales and Rents | \$2,186 | \$2,057 | \$806 | \$799 | \$891 | \$976 | \$3,883 | \$3,832 |
| <u>EXPENDITURE</u> | | | | | | | | |
| Salaries and Wages | 248 | 228 | 436 | 458 | 91 | 195 | 775 | 881 |
| Employee Benefits | 36 | 34 | 65 | 69 | 14 | 22 | 115 | 125 |
| Cost of Sales | 1,626 | 1,544 | 205 | 163 | - | 1 | 1,831 | 1,708 |
| Interest and Bank Charges | - | - | - | - | 365 | 346 | 365 | 346 |
| Postage and Delivery | 5 | 11 | - | - | - | - | 5 | 11 |
| Printing and Advertising | 117 | 82 | 2 | 3 | 6 | 5 | 125 | 90 |
| Rentals and Maintenance | | | | | | | | |
| Facilities | - | - | 1 | - | 6 | 13 | 7 | 13 |
| Equipment | - | 1 | 4 | 3 | 14 | 11 | 18 | 15 |
| Supplies and Contract Services | 8 | 21 | 54 | 61 | 133 | 167 | 195 | 249 |
| Travel and Training | 3 | 3 | - | 1 | 2 | 1 | 5 | 5 |
| Utilities and Communications | 5 | 7 | 1 | - | 102 | 110 | 108 | 117 |
| Loan Repayments | - | - | - | - | 6 | 5 | 6 | 5 |
| Other Expenditures | - | 4 | 1 | - | 1 | 9 | 2 | 13 |
| | <u>\$2,048</u> | <u>\$1,935</u> | <u>\$769</u> | <u>\$758</u> | <u>\$740</u> | <u>\$885</u> | <u>\$3,557</u> | <u>\$3,578</u> |
| Excess of Revenue over Expenditure | 138 | 122 | 37 | 41 | 151 | 91 | 326 | 254 |
| Fund Balances, Beginning of Year | - | - | - | - | - | - | - | - |
| Interfund Transfers (Note 12) | <u>(138)</u> | <u>(122)</u> | <u>(37)</u> | <u>(41)</u> | <u>(151)</u> | <u>(91)</u> | <u>(326)</u> | <u>(254)</u> |
| Fund Balances, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | ===== | | ===== | | ===== | | ===== | |

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

BALANCE SHEET AS AT MARCH 31, 1989

(unaudited)

ASSETS

| | <u>1989</u> | <u>1988</u> |
|---------------------------------------|----------------------|----------------------|
| CURRENT ASSETS | | |
| Cash | \$ 3,937,957 | \$ 6,658,375 |
| Accounts receivable | 2,974,743 | 2,473,111 |
| Inventories | <u>58,008,311</u> | <u>58,985,578</u> |
| | <u>64,921,011</u> | <u>68,117,064</u> |
| FIXED ASSETS, at cost (note 3) | 39,630,778 | 38,452,907 |
| Less accumulated depreciation | <u>31,189,710</u> | <u>28,970,397</u> |
| | <u>8,441,068</u> | <u>9,482,510</u> |
| | <u>\$ 73,362,079</u> | <u>\$ 77,599,574</u> |

LIABILITIES**CURRENT LIABILITIES**

| | | |
|--|---------------|---------------|
| Accounts payable and accrued liabilities | \$ 58,963,023 | \$ 51,952,570 |
|--|---------------|---------------|

PROVINCE OF BRITISH COLUMBIA

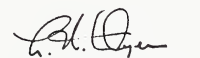
| | | |
|---------|----------------------|----------------------|
| Advance | <u>14,399,056</u> | <u>25,647,004</u> |
| | <u>\$ 73,362,079</u> | <u>\$ 77,599,574</u> |

Commitments and Contingencies (notes 5 & 6)

The accompanying notes and the Schedule are an integral part of these financial statements.

Approved By:


 General Manager


 Director of Finance

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

STATEMENT OF INCOME FOR THE YEAR ENDED MARCH 31, 1989

(unaudited)

| | <u>1989</u> | <u>1988</u> |
|-------------------------------|------------------------------------|------------------------------------|
| SALES (note 4) | \$1,234,107,064 | \$1,223,353,633 |
| COST OF MERCHANDISE SOLD | <u>692,321,887</u> | <u>675,760,213</u> |
| | 541,785,177 | 547,593,420 |
| OPERATING EXPENSES (Schedule) | <u>131,149,650</u> | <u>128,147,675</u> |
| | 410,635,527 | 419,445,745 |
| OTHER INCOME | <u>4,578,468</u> | <u>3,850,519</u> |
| NET INCOME | \$ 415,213,995 | \$ 423,296,264 |
| | <u><u> </u></u> | <u><u> </u></u> |

STATEMENT OF CHANGES IN PROVINCE OF BRITISH COLUMBIA ADVANCEFOR THE YEAR ENDED MARCH 31, 1989

| | <u>1989</u> | <u>1988</u> |
|--------------------------------------|------------------------------------|------------------------------------|
| Balance at beginning of year | \$ 25,647,004 | \$ 28,238,314 |
| Net Income | 415,213,995 | 423,296,264 |
| Cash payments to Provincial Treasury | <u>(426,461,943)</u> | <u>(425,887,574)</u> |
| BALANCE AT END OF YEAR | \$ 14,399,056 | \$ 25,647,004 |
| | <u><u> </u></u> | <u><u> </u></u> |

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

STATEMENT OF CHANGES IN FINANCIAL POSITIONFOR THE YEAR ENDED MARCH 31, 1989

(unaudited)

| | <u>1989</u> | <u>1988</u> |
|--|-----------------------|----------------------|
| CASH PROVIDED BY OPERATIONS | | |
| Net Income | \$ 415,213,995 | \$423,296,264 |
| Amounts charged against income not requiring an outlay of cash: | | |
| Depreciation | 2,797,709 | 2,969,293 |
| Gain on disposal of fixed assets | (151,693) | (228,273) |
| Decrease (Increase) in accounts receivable | (501,632) | 138,640 |
| Decrease (Increase) in inventory | 977,267 | (6,253,218) |
| Increase in accounts payable | <u>7,010,453</u> | <u>7,372,252</u> |
| | 425,346,099 | 427,294,958 |
| CASH PAYMENTS TO PROVINCIAL TREASURY | <u>(426,461,943)</u> | <u>(425,887,574)</u> |
| | \$ <u>(1,115,844)</u> | \$ <u>1,407,384</u> |
| CASH USED FOR INVESTMENT IN FIXED ASSETS | | |
| Acquisition of fixed assets | \$ (1,756,267) | \$ (1,243,417) |
| Proceeds on Disposal | <u>151,693</u> | <u>246,056</u> |
| | <u>(1,604,574)</u> | <u>(997,361)</u> |
| INCREASE (DECREASE) IN CASH | (2,720,418) | 410,023 |
| CASH AT BEGINNING OF YEAR | <u>6,658,375</u> | <u>6,248,352</u> |
| CASH AT END OF YEAR | \$ <u>3,937,957</u> | \$ <u>6,658,375</u> |

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

NOTES TO FINANCIAL STATEMENTSFOR THE YEAR ENDED MARCH 31, 1989

(unaudited)

1. STATUS OF THE BRANCH

The Liquor Distribution Branch obtains its authority for operation from the Liquor Distribution Act which was administered by the Ministry of Labour and Consumer Services. As stated in Section 2 of this Act, the Branch has the sole right to purchase both in and out of the Province liquor for resale and reuse in the Province in accordance with the provisions of the Importation of Intoxicating Liquors Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

As prescribed by Section 18 of the Liquor Distribution Act, the financial statements of the Branch are prepared in accordance with generally accepted accounting principles.

The financial transactions of the Branch, after adjustments for differences in accounting policies from those of the Government, are included in the Combined Financial Statements of the Government of the Province of British Columbia.

Significant accounting policies followed in the preparation of these financial statements are:

- a) Inventories are valued at the latest landed cost which is equal to or less than the net realizable value.
- b) Fixed assets are depreciated on a straight line basis as follows:

| | |
|--|--|
| Buildings | - 7 1/2% per annum |
| Leasehold Improvements | - a minimum of 10% per annum or a rate sufficient to write off the cost over the remaining life of the respective lease. |
| Furniture, Fixtures, Vehicles & Equipment | - 25% per annum. |

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

NOTES TO FINANCIAL STATEMENTSFOR THE YEAR ENDED MARCH 31, 1989

(unaudited)

| 3. <u>FIXED ASSETS</u> | <u>1989</u> | | <u>1988</u> | |
|--|---------------------|-------------------------------------|---------------------|-------------------------------------|
| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> |
| Land | \$ 1,121,657 | \$ - | \$ 1,121,657 | \$ - |
| Buildings | 11,376,424 | 8,360,158 | 11,208,643 | 7,759,281 |
| Leasehold Improvements | 4,640,248 | 3,848,566 | 4,640,248 | 3,536,657 |
| Furniture, Fixtures, Vehicles & Equipment | <u>22,492,449</u> | <u>18,980,986</u> | <u>21,482,359</u> | <u>17,674,459</u> |
| | <u>39,630,778</u> | <u>31,189,710</u> | <u>38,452,907</u> | <u>28,970,397</u> |
| NET BOOK VALUE | <u>\$ 8,441,068</u> | | <u>\$ 9,482,510</u> | |

4. SALES

The Branch is responsible for sales of liquor in the Province. The majority of liquor is sold by the Branch itself; however, the Branch has authorized manufacturers in certain situations to sell directly to licensees and consumers. Total sales of liquor are as follows:

| | <u>1989</u> | <u>1988</u> |
|---|------------------------|------------------------|
| Total Branch sales | \$1,234,107,064 | \$1,223,353,633 |
| Less non-alcoholic products | <u>582,817</u> | <u>582,589</u> |
| | <u>\$1,233,524,247</u> | <u>\$1,222,771,044</u> |
| Other authorized sales not included in these financial statements: | | |
| Brew pubs | 237,470 | 266,948 |
| Estate wineries | <u>3,183,000</u> | <u>2,462,194</u> |
| | <u>3,420,470</u> | <u>2,729,142</u> |
| TOTAL SALES OF LIQUOR IN THE PROVINCE | <u>\$1,236,944,717</u> | <u>\$1,225,500,186</u> |

Since the fall of 1977, the Branch has authorized the brewers' agent to sell directly to licensees, licensee retail stores and agency stores. This arrangement ceased on January 31, 1989 and the sales through the brewers' agent are now processed as Branch sales. These sales for the first ten months of this year and all of last year have been reclassified and the margin on these sales previously reported as Provincial Malt Levy has been reclassified accordingly. The Branch has also authorized brew pubs to manufacture and sell directly to the public. The margin on these sales was previously reported as Provincial Malt Levy and has now been reclassified as other income.

The Branch has agreements with estate wineries which allow them to sell directly to the public, licensed establishments and licensee retail stores. Proceeds from the estate winery on-site sales accrue solely to the estate operator. Up to November 30, 1988, the Branch received 5% of retail value of off-site estate winery agency store sales which is included in other income. After November 30, 1988, the estate operator retained the total proceeds of all sales.

Total sales of liquor in the Province do not include subsequent resale by licensed establishments, licensee retail stores and agency stores.

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

NOTES TO FINANCIAL STATEMENTSFOR THE YEAR ENDED MARCH 31, 1989

(unaudited)

5. COMMITMENTS

a) Federal Taxes

The Branch maintains inventory in its bonded warehouse for which federal taxes have neither been paid nor recorded in these financial statements. As at March 31, 1989, the future liability for these taxes approximates \$6,000,000. These taxes are payable when inventory is shipped from the bonded warehouse.

b) Lease Premises

Total commitments as at March 31, 1989 for lease of premises are as follows:

| | |
|---------------------------|---------------------|
| Year ended March 31, 1990 | \$ 9,530,000 |
| 1991 | 8,343,000 |
| 1992 | 7,034,000 |
| 1993 | 6,010,000 |
| 1994 | 4,949,000 |
| Subsequent years | <u>14,749,000</u> |
| TOTAL | <u>\$50,615,000</u> |

6. CONTINGENCIES

Agents' Stocking Program

The Branch has authorized suppliers' agents to import and warehouse liquor for subsequent resale to the Branch. Under this arrangement, the Branch has a contractual obligation to purchase all inventories held by the agent should he opt out of the program. As at March 31, 1989, the value of agents' inventories totals approximately \$23,000,000 and the future liability for federal taxes thereon is \$12,000,000.

Employee Sick Bank

Prior to January, 1978, eligible employees accrued 1.25 days per month towards an employee sick bank. The accumulated unused banked hours are paid at 50% only on retirement. The sick bank liability as at March 31, 1989 is approximately \$2,000,000.

7. SUPERANNUATION FUND

The Liquor Distribution Branch is an approved employer under the Pension (Public Service) Act. Eligible employees of the Branch contribute to the Public Service Superannuation Fund at a rate of 4.25% of pensionable salary up to the year's maximum pensionable earnings as defined in the Canada Pension Plan and at a rate of 5.75% of pensionable salary in excess of the year's maximum pensionable earnings. An additional 1.25% of pensionable salary is deducted and used to finance the payment of inflation adjustment supplements. In addition to matching the employees' contributions, the Branch contributes an additional 2.5% of pensionable salary for basic pension benefits.

An actuarial evaluation of the Public Service Superannuation Fund was made at March 31, 1987. Details of the unfunded liability are described in the Public Service Superannuation Fund financial statements included in the Public Accounts. The portion of the unfunded liability attributable to the Liquor Distribution Branch was not determined by the actuary.

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

(unaudited)

8. COMPARATIVE FIGURES

Certain comparative figures for the previous year have been reclassified to conform with the March 31, 1989 financial statement presentation.

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH
OPERATING EXPENSES FOR THE YEAR ENDED MARCH 31, 1989

(unaudited)

Schedule

| | Warehouse | Retail Store | Administration | 1989 Total | 1988 Total |
|----------------------------------|--------------|---------------|----------------|----------------|----------------|
| Salaries and Wages | \$ 5,070,775 | \$ 50,276,453 | \$ 10,413,565 | \$ 65,760,793 | \$ 68,348,061 |
| Superannuation | 381,553 | 3,808,961 | 759,839 | 4,950,353 | 4,751,486 |
| Unemployment Insurance | 131,779 | 1,315,518 | 262,429 | 1,709,726 | 1,834,132 |
| Dental and Extended Health | 89,238 | 890,839 | 177,711 | 1,157,788 | 1,272,956 |
| Canada Pension | 88,050 | 878,985 | 175,347 | 1,142,382 | 1,070,398 |
| Workers' Compensation Board | 86,263 | 861,140 | 171,787 | 1,119,190 | 884,072 |
| B.C. Medical | 86,122 | 859,731 | 171,506 | 1,117,359 | 825,270 |
| Long Term Disability | 32,554 | 324,977 | 64,829 | 422,360 | 433,534 |
| Group Insurance | 18,100 | 180,685 | 36,046 | 234,831 | 237,235 |
| Staff Benefits | 3,439 | 9,117 | 168,899 | 181,455 | 59,763 |
| Commissions | - | 4,626,447 | 11,616,864 | 16,243,311 | 12,505,951 |
| Rents | 258,735 | 11,712,631 | 271,410 | 12,242,776 | 11,091,483 |
| Data Processing | - | - | 5,493,978 | 5,493,978 | 5,499,946 |
| Freight to Stores | - | 3,513,653 | - | 3,513,653 | 3,555,489 |
| Depreciation | 491,689 | 1,282,662 | 1,023,358 | 2,797,709 | 2,969,293 |
| Sundries | 127,841 | 850,375 | 1,083,214 | 2,061,430 | 1,588,461 |
| Repairs and Maintenance | 97,079 | 1,011,268 | 806,942 | 1,915,289 | 1,821,881 |
| Light, Water and Fuel | 99,581 | 1,430,665 | 397,867 | 1,928,113 | 1,873,086 |
| Printing, Stationery and Postage | 10,590 | 66,905 | 1,441,495 | 1,518,990 | 1,626,768 |
| Store Wrapping Supplies | - | 1,280,972 | - | 1,280,972 | 1,185,410 |
| Janitorial and Scavenging | 27,776 | 847,149 | 260,759 | 1,135,684 | 1,083,767 |
| Travelling | 20,908 | 200,827 | 810,177 | 1,031,912 | 1,145,558 |
| Telephone and Telegraph | 13,663 | 194,018 | 706,086 | 913,767 | 984,589 |
| Armoured Car Service | - | - | 510,978 | 510,978 | 689,236 |
| Property Charges | 407,200 | 93,780 | - | 500,980 | 444,392 |
| Warehouse Equipment Costs | 257,814 | - | - | 257,814 | 358,715 |
| Bank Charges | - | - | 6,057 | 6,057 | 6,743 |
| | \$ 7,800,749 | \$ 86,517,758 | \$ 36,831,143 | \$ 131,149,650 | \$ 128,147,675 |

BRITISH COLUMBIA LOTTERY CORPORATION**Thorne Ernst & Whinney**

Chartered Accountants

500 - 275 Lansdowne Street
Kamloops, British Columbia, Canada
V2C 1X8(604) 372-5581
(604) 374-3121
(604) 828-2928 Fax**BRITISH COLUMBIA LOTTERY CORPORATION****AUDITORS' REPORT**

To the Directors of the British Columbia Lottery Corporation

We have examined the consolidated balance sheet of the British Columbia Lottery Corporation as at March 31, 1989, and the consolidated statements of income; changes in amounts due to the Province of British Columbia, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1989, and the results of its operations, and the changes in the amounts due to the Province of British Columbia, and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.


Chartered Accountants

June 2, 1989

BRITISH COLUMBIA LOTTERY CORPORATION

MARCH 31, 1989

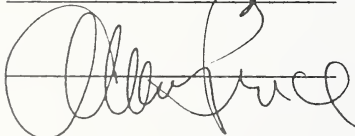
CONSOLIDATED BALANCE SHEET

(in thousands of dollars)

| Assets | 1989 | 1988 |
|--|------------------|------------------|
| Cash | | |
| Prize funds | \$ 24,201 | \$ 14,479 |
| Other | 7,712 | 10,364 |
| Receivables (note 3) | 8,787 | 3,769 |
| Prepaid expenses | 2,186 | 1,690 |
| Fixed assets (note 4) | <u>2,270</u> | <u>7,265</u> |
| | <u>\$ 45,156</u> | <u>\$ 37,567</u> |
| Liabilities | | |
| Prizes payable | \$ 24,201 | \$ 14,479 |
| Payable to Interprovincial Lottery Corporation | 652 | 903 |
| Accounts payable & accrued liabilities | 5,309 | 3,581 |
| Deferred revenue | 7,245 | 5,264 |
| Due to Province of British Columbia | 7,749 | 13,340 |
| Share capital (note 5) | <u>-</u> | <u>-</u> |
| | <u>\$ 45,156</u> | <u>\$ 37,567</u> |

APPROVED:


 Director


 Director

BRITISH COLUMBIA LOTTERY CORPORATION

MARCH 31, 1989

CONSOLIDATED STATEMENT OF CHANGES IN AMOUNTS DUE
TO PROVINCE OF BRITISH COLUMBIA

(in thousands of dollars)

| Net Income | 1988/89 | 1987/88 |
|---|------------------------|-------------------------|
| Balance, beginning of year | \$ 13,340 | \$ 13,227 |
| Net income | <u>194,535</u> | <u>174,137</u> |
| | 207,875 | 187,364 |
| Payments to Province of British Columbia during the year | 195,236 | 166,473 |
| Allocation of income to Government of Canada | <u>4,890</u> | <u>7,551</u> |
| | 200,126 | 174,024 |
| Balance, end of year | <u><u>\$ 7,749</u></u> | <u><u>\$ 13,340</u></u> |

BRITISH COLUMBIA LOTTERY CORPORATION

MARCH 31, 1989

CONSOLIDATED STATEMENT OF INCOME

(in thousands of dollars)

| | 1988/89 | 1987/88 |
|---------------------------------|------------|------------|
| Lottery sales (note 6) | \$ 524,230 | \$ 469,639 |
| Direct expenses | | |
| Prizes | \$ 247,650 | \$ 216,267 |
| Retailer commissions | 28,797 | 25,628 |
| | 276,447 | 241,895 |
| Sales less direct expenses | 247,783 | 227,744 |
| Operating expenses | | |
| Data processing & network | 11,689 | 10,924 |
| Depreciation | 4,995 | 10,956 |
| Ticket printing | 9,719 | 9,133 |
| Bingo paper | 3,140 | 2,589 |
| Advertising, draws & promotions | 10,940 | 7,985 |
| Sales & distribution | 7,227 | 6,833 |
| Administration | 5,538 | 5,187 |
| | 53,248 | 53,607 |
| Net income | \$ 194,535 | \$ 174,137 |
| Allocation of net income: | | |
| Government of Canada (note 7) | \$ 4,890 | \$ 7,551 |
| Province of British Columbia | 189,645 | 166,586 |
| | \$ 194,535 | \$ 174,137 |

BRITISH COLUMBIA LOTTERY CORPORATION

MARCH 31, 1989

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(in thousands of dollars)

| | 1988/89 | 1987/88 |
|---|-------------|-------------|
| Cash Provided By (used for) | | |
| Operations | | |
| Net Income | \$ 194,535 | \$ 174,137 |
| Depreciation | 4,995 | 10,956 |
| Cash provided by operations | 199,530 | 185,093 |
| Change in net trade balances | (3,541) | (3,620) |
| Decrease in prepaid expenses | (496) | 1,193 |
| Increase in prizes payable | 9,722 | 5,188 |
| Increase in deferred revenue | 1,981 | 1,315 |
| | \$ 207,196 | \$ 189,169 |
| Financing: | | |
| Payments to Province of British Columbia | (195,236) | (166,473) |
| Payments to Government of Canada | (4,890) | (8,526) |
| | \$(200,126) | \$(174,999) |
| Investments: | | |
| Acquisition of fixed assets | - | (1,009) |
| | - | (1,009) |
| Increase in Cash | 7,070 | 13,161 |
| Cash at Beginning of Year | 24,843 | 11,682 |
| Cash at End of Year | \$ 31,913 | \$ 24,843 |

BRITISH COLUMBIA LOTTERY CORPORATION

MARCH 31, 1989

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars)

1. Nature of the Corporation

The British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 25, 1984.

The Province has designated the Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada.

The EXPRESS, Instant, LOTTO B.C., BC KENO, EXTRA, PUNTO and Breakopen games are conducted solely by the Corporation in the Province of British Columbia. In addition the Corporation is the sole distributor of Bingo paper in the Province of British Columbia.

The Corporation is the regional marketing organization for the PROVINCIAL, \$20 GAME, SUPER LOTO AND LOTTO 6/49 games in British Columbia. These games are joint undertakings by all provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. Significant Accounting Policies:

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles.

A. Consolidation

The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

B. Capital Purchases

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased, will be capitalized. These purchases include the cost of leasehold improvements, renovations and furniture of the Corporation's offices in Kamloops,

BRITISH COLUMBIA LOTTERY CORPORATION

MARCH 31, 1989

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

2. Significant Accounting Policies (continued):

Richmond, and Victoria, major computer equipment purchases, all on-line gaming terminals, and all components of the Corporation's sign and fixture program for placement at the on-line game retailers' locations.

The Corporation's capital assets are recorded at their original cost and are depreciated on a straight-line basis according to their estimated useful lives, as follows:

| | |
|--------------------------|---------|
| Leasehold improvements | 5 years |
| Furniture & equipment | 5 years |
| Computer equipment | 3 years |
| On-line gaming terminals | 3 years |
| Signs & Fixtures: | |
| Computer | 3 years |
| Non-computer | 5 years |

C. Free Tickets

Sales are reduced by the retail value of free tickets redeemed by the retailers.

D. Deferred Revenue and Expenses

Revenue and expenses relating to draws held during the year ended March 31, 1989 are included in the statement of income on an accrual basis. Receipts from the sale of lottery tickets related to draws held subsequent to March 31, 1989 have been recorded as deferred revenue. Retailer commissions on these sales have been recorded as prepaid expenses.

E. Prize Expenses

The Corporation provides for prize expenses at approximately 50% of sales for all British Columbia games.

The prize liability accounts reflect expected prize payouts.

All unclaimed prizes from British Columbia lottery games are retained in a prize fund for one year from the announced date of the draw. Unclaimed prizes remaining after the one year claiming period are used for bonus prizes and bonus draw promotions in subsequent draws.

Prize expenses for Interprovincial Lottery Corporation games is British Columbia's proportionate share of prizes based on the number of tickets sold.

BRITISH COLUMBIA LOTTERY CORPORATION

MARCH 31, 1989

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

| 3. Receivables | 1988/89 | 1987/88 |
|----------------|-----------------|-----------------|
| Retailers | \$ 7,839 | \$ 2,670 |
| Other | 948 | 1,099 |
| | <u>\$ 8,787</u> | <u>\$ 3,769</u> |

| 4. Fixed Assets | Cost | Accumulated Depreciation | Net 1989 | Net 1988 |
|-------------------------------------|------------------|-----------------------------|-----------------|-----------------|
| On-line gaming terminals | \$ 15,119 | \$ 15,119 | \$ - | \$ 692 |
| Central system computer hardware | 8,386 | 8,386 | - | 440 |
| Leasehold improvements | 8,283 | 6,602 | 1,681 | 3,811 |
| Furniture & equipment | 2,744 | 2,155 | 589 | 1,143 |
| Signs & fixtures | <u>2,858</u> | <u>2,858</u> | <u>-</u> | <u>1,179</u> |
| | <u>\$ 37,390</u> | <u>\$ 35,120</u> | <u>\$ 2,270</u> | <u>\$ 7,265</u> |

5. Share Capital

Authorized: 10,000 common shares without par value
 Issued: 1 common share for \$1.00

BRITISH COLUMBIA LOTTERY CORPORATION

MARCH 31, 1989

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

| 6. Lottery Sales | 1988/89 | 1987/88 |
|------------------------|-------------------|-------------------|
| Nationwide Games | | |
| Lotto 6/49 | \$ 279,511 | \$ 257,599 |
| Super Loto | 1,924 | 17,649 |
| Provincial | 22,652 | 19,350 |
| \$20 game | 15,496 | - |
| | <u>\$ 319,583</u> | <u>\$ 294,598</u> |
| British Columbia Games | | |
| Extra | 18,853 | - |
| Punto | 422 | - |
| BC Keno | 20,352 | 29,951 |
| Express | 5,784 | 7,052 |
| Lotto B.C. | 10,764 | 10,940 |
| Instant | 117,886 | 104,195 |
| | <u>174,061</u> | <u>152,138</u> |
| Breakopen | 26,878 | 19,421 |
| Bingo | <u>3,708</u> | <u>3,482</u> |
| | <u>\$ 204,647</u> | <u>\$ 175,041</u> |
| Total | <u>\$ 524,230</u> | <u>\$ 469,639</u> |

7. Payments to Government of Canada

The Interprovincial Lottery Corporation makes inflation adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to the Interprovincial Lottery Corporation. Payments under this agreement are estimated to be \$ 5,040,000 for the year ended March 31, 1990.

BRITISH COLUMBIA LOTTERY CORPORATION

MARCH 31, 1989

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

8. Interprovincial Lottery Corporation Expenses and Interest Revenue

The Corporation's share of the Interprovincial Lottery Corporation's operating expenses and interest revenues are reflected in these financial statements. Net income recorded from the Interprovincial Lottery Corporation was \$235,000 for the year ended March 31, 1989 (\$399,000; 1988).

9. Lease Obligations

Long-term office space leases will expire as follows:

| | |
|----------|------|
| Kamloops | 1994 |
| Richmond | 1995 |
| Victoria | 1994 |

Minimum annual rental payments for the next five years are:

| | |
|---------------------|-------|
| 1989-1990 | \$823 |
| 1990-1991 | \$865 |
| 1991-1992 | \$865 |
| 1992-1993 | \$865 |
| 1993-1994 | \$865 |
| 1994 and subsequent | \$795 |

10. Pension Plan

The market value of pension plan assets is approximately \$ 3,186,000 and estimated liabilities are approximately \$ 2,886,000.

B.C. PAVILION CORPORATION**Thorne Ernst & Whinney**

Chartered Accountants

Thorne Ernst & Whinney Tower
2500 - 1177 West Hastings Street
Vancouver, British Columbia, Canada
V6E 2L9

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Telex: 04-55177
Fax: (604) 661-3031
File Ref.

AUDITORS' REPORT

To the Shareholder of
B.C. Pavilion Corporation

We have examined the balance sheet of B.C. Pavilion Corporation as at March 31, 1989 and the statements of revenue and expenditures, changes in financial position and contributed surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Thorne Ernst & Whinney

May 19, 1989

Member of
Ernst & Whinney
International

B.C. PAVILION CORPORATION

BALANCE SHEET

| | March 31 | |
|---|----------------------|----------------------|
| | 1989 | 1988 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and term deposits | \$ 4,388,763 | \$ 3,444,804 |
| Accounts receivable | 2,752,911 | 2,595,149 |
| Supplies inventory | 89,518 | 82,662 |
| Prepaid expenses | 317,563 | 302,563 |
| | <u>7,548,755</u> | <u>6,425,178</u> |
| FIXED ASSETS (note 3) | 155,588,612 | 158,896,821 |
| | <u>\$163,137,367</u> | <u>\$165,321,999</u> |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities (note 4) | \$ 4,414,923 | \$ 3,652,216 |
| Deposits and deferred revenue | <u>1,906,817</u> | <u>1,793,588</u> |
| | 6,321,740 | 5,445,804 |
| DEFERRED GOVERNMENT CONTRIBUTIONS (note 5) | <u>1,160,475</u> | <u>1,097,471</u> |
| | 7,482,215 | 6,543,275 |
| SHAREHOLDER'S EQUITY | | |
| Share capital (note 6) | 1 | 1 |
| Contributed surplus | <u>155,655,151</u> | <u>158,778,723</u> |
| | <u>155,655,152</u> | <u>158,778,724</u> |
| | <u>\$163,137,367</u> | <u>\$165,321,999</u> |
| CONTINGENT LIABILITY (note 7) | | |
| COMMITMENTS (note 8) | | |
| SUBSEQUENT EVENT (note 11) | | |

APPROVED BY THE BOARD:


 Director


 Director

B.C. PAVILION CORPORATION

STATEMENT OF REVENUE AND EXPENDITURES

| | Year ended March 31 | |
|--|---------------------|-------------------|
| | 1989 | 1988 |
| Revenue from operations | \$26,273,447 | \$22,005,845 |
| Direct event costs | <u>12,084,215</u> | <u>9,715,779</u> |
| | <u>14,189,232</u> | <u>12,290,066</u> |
| Facility expenditures | | |
| Staffing costs | 6,614,146 | 6,016,638 |
| Operating expenses | 6,490,382 | 6,078,427 |
| Business development | 2,555,507 | 2,076,974 |
| General and administration | 2,257,376 | 2,541,587 |
| Fees | 981,899 | 840,892 |
| Depreciation | <u>4,543,605</u> | <u>7,138,366</u> |
| | <u>23,442,915</u> | <u>24,692,884</u> |
| Net expenditures prior to recoveries | <u>9,253,683</u> | <u>12,402,818</u> |
| Recoveries | | |
| Contributions from | | |
| Province of British Columbia | 4,710,078 | 4,264,452 |
| Government of Canada | - | 1,000,000 |
| Amortization of contributed surplus to offset depreciation charged on contributed assets | <u>4,543,605</u> | <u>7,138,366</u> |
| | <u>9,253,683</u> | <u>12,402,818</u> |
| NET REVENUE | - | - |

B.C. PAVILION CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

| | Year ended March 31 | |
|--|---------------------|---------------------|
| | 1989 | 1988 |
| CASH PROVIDED BY (USED FOR): | | |
| OPERATIONS | | |
| Net expenditures prior to recoveries | \$(9,253,683) | \$(12,402,818) |
| Depreciation, an item not involving cash | <u>4,543,605</u> | <u>7,138,366</u> |
| | (4,710,078) | (5,264,452) |
| Changes in non-cash operating working capital | | |
| Accounts receivable | (157,762) | 936,358 |
| Supplies inventory | (6,856) | 431 |
| Prepaid expenses | (15,000) | (77,264) |
| Accounts payable and accrued liabilities | 762,707 | 1,254,086 |
| Deposits and deferred revenue | <u>113,229</u> | <u>231,872</u> |
| | (4,013,760) | (2,918,969) |
| FINANCING | | |
| Contribution from the Province of British Columbia towards operations for the year | 4,710,078 | 4,264,452 |
| Contribution from the Province of British Columbia towards fixed assets acquisitions for the year | 814,918 | 3,908,077 |
| Contribution from the Province of British Columbia towards the acquisition of British Columbia Food Exhibitions Ltd. | 152,607 | - |
| Proceeds on sale of fixed assets | 32,030 | - |
| Deferred contribution from the Province of British Columbia in excess of immediate fundings required for operations | 63,004 | 1,097,471 |
| Contribution from Government of Canada towards opening of the Vancouver Trade and Convention Centre | - | 1,000,000 |
| | <u>5,772,637</u> | <u>10,270,000</u> |
| INVESTMENT | | |
| Capital additions for the year | <u>(814,918)</u> | <u>(3,908,077)</u> |
| INCREASE IN CASH POSITION | 943,959 | 3,442,954 |
| Cash position at beginning of year | <u>3,444,804</u> | <u>1,850</u> |
| CASH POSITION AT END OF YEAR | <u>\$ 4,388,763</u> | <u>\$ 3,444,804</u> |

Cash position is defined as cash and term deposits.

B.C. PAVILION CORPORATION

STATEMENT OF CONTRIBUTED SURPLUS

| | Year ended March 31 | |
|---|----------------------|----------------------|
| | 1989 | 1988 |
| Balance at beginning of year | \$158,778,723 | \$162,009,012 |
| Contribution on the transfer of Terry Fox Plaza, March 31, 1989 | 443,073 | - |
| Contributions from the Province of British Columbia towards fixed assets acquisitions | 814,918 | 3,908,077 |
| Contribution of surplus on transfer of British Columbia Food Exhibitions Ltd., February 16, 1989 | 162,042 | - |
| Transferred to statement of revenue and expenditures to offset depreciation charged on contributed assets | <u>(4,543,605)</u> | <u>(7,138,366)</u> |
| BALANCE AT END OF YEAR | <u>\$155,655,151</u> | <u>\$158,778,723</u> |

B.C. PAVILION CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1989

1. GENERAL

B.C. Pavilion Corporation was incorporated by the Province of British Columbia on May 3, 1984 under the British Columbia Company Act. Prior to March 31, 1987 the Corporation's mandate was to develop and operate the exhibitory at the B.C. Pavilion facility for the 1986 World Exposition. The current mandate of the Corporation is to manage certain public facilities in the Province. Accordingly, the Corporation owns and operates the B.C. Place Stadium, and operates the following public facilities under separate lease agreements:

Vancouver Trade and Convention Centre
Whistler Conference Centre
Whistler Golf Club
B.C. Enterprise Centre

During the year the Corporation gave formal notice to terminate its lease and stated that it will be vacating the B.C. Enterprise Centre effective September 30, 1989.

On July 6, 1988, through a Government reorganization, ownership of the one outstanding share of the Corporation was transferred from the Minister of Economic Development to the Minister of Government Services, in both instances held on behalf of the Province of British Columbia.

On February 16, 1989, the outstanding shares of British Columbia Food Exhibitions Ltd. were transferred from the Ministry of Agriculture to the Corporation. Results from that date have been consolidated and do not materially affect the results of operations of the Corporation. British Columbia Food Exhibitions Ltd. operates a biennial food and beverage industry trade show.

On March 31, 1989, ownership of the Terry Fox Plaza was transferred to the Corporation at the transferor's net book value.

B.C. PAVILION CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with generally accepted accounting principles appropriate for B.C. Pavilion Corporation. These principles are in conformity with generally accepted accounting principles appropriate for commercial enterprises, with the exceptions identified in notes 2(a) and 2(c) below.

(a) Fixed assets

Fixed assets have been recorded as follows:

- (i) fixed assets funded through contributions by the Province of British Columbia, either to the Corporation or predecessor corporations, at cost. The related contribution is initially recorded as a credit to contributed surplus;
- (ii) fixed assets specifically funded by the Federal Government at cost net of the related contribution;
- (iii) all assets are depreciated over their estimated useful lives to the Corporation. Depreciation is provided on the following bases:

| <u>Asset classification</u> | <u>Depreciation term</u> |
|-----------------------------|--|
| Buildings and improvements | 10 to 50 years. Buildings are depreciated on a sinking-fund basis; improvements on a straight-line basis |
| Other fixed assets | 1 to 10 years on a straight-line basis, except motor vehicles which are at 30% of the declining-balance |
| Leasehold improvements | Over the shorter of the estimated useful life of the improvement, or the term of the lease |
| Furniture | 5 years straight-line |
| Computer | 3 years straight-line |

B.C. PAVILION CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Deferred government contributions

Government funding is initially deferred in the accounts of the Corporation. Funding towards operations is recognized as a recovery in the statement of revenue and expenditures to the extent that the funds are utilized. Funding towards fixed assets acquisitions is allocated to contributed surplus at the time the related asset is acquired.

(c) Amortization of contributed surplus

Contributed surplus is amortized and reflected as a recovery in the statement of revenue and expenditures in an amount equal to that required to offset depreciation charged on contributed assets.

(d) New business development

Start-up costs relating to new business development are expensed in the year incurred. Any related revenues are recognized as earned.

(e) Comparative figures

Certain of the prior year's figures have been reclassified in order to conform with the presentation adopted for the current year.

3. FIXED ASSETS

| | | 1989 | | 1988 |
|--|----------------------|--------------------------|----------------------|----------------------|
| | Cost | Accumulated depreciation | Net book value | Net book value |
| Facilities | | | | |
| B.C. Place Stadium | \$173,033,237 | \$19,380,477 | \$153,652,760 | \$156,233,548 |
| B.C. Enterprise Centre | 3,424,484 | 2,430,978 | 993,506 | 1,386,747 |
| Expo Theatre | - | - | - | 170,656 |
| Vancouver Trade and Convention Centre | 1,316,507 | 678,591 | 637,916 | 687,461 |
| Corporate office | 560,735 | 264,646 | 296,089 | 418,409 |
| Whistler | 167,484 | 167,484 | - | - |
| British Columbia Food Exhibitions Ltd. | 43,771 | 35,430 | 8,341 | - |
| | <u>\$178,546,218</u> | <u>\$22,957,606</u> | <u>\$155,588,612</u> | <u>\$158,896,821</u> |

B.C. PAVILION CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

3. FIXED ASSETS (Continued)

The Expo Theatre no longer appears on the accounts of the Corporation, as the lease was terminated by the landlord during fiscal 1989.

| | 1989 | | 1988 | |
|----------------------------|----------------------|--------------------------|----------------------|----------------------|
| | Cost | Accumulated depreciation | Net book value | Net book value |
| Fixed asset classes | | | | |
| Buildings and improvements | \$160,308,674 | \$ 9,870,653 | \$150,438,021 | \$151,986,190 |
| Other | 12,267,604 | 8,780,106 | 3,487,498 | 4,340,480 |
| Leasehold improvements | 3,062,061 | 2,247,180 | 814,881 | 1,472,598 |
| Furniture | 2,404,538 | 1,806,499 | 598,039 | 741,598 |
| Computer | <u>503,341</u> | <u>253,168</u> | <u>250,173</u> | <u>355,955</u> |
| | <u>\$178,546,218</u> | <u>\$22,957,606</u> | <u>\$155,588,612</u> | <u>\$158,896,821</u> |

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 1989 | 1988 |
|--|--------------------|--------------------|
| Accounts payable and accrued liabilities | \$4,414,923 | \$2,996,160 |
| Payable to B.C. Enterprise Corporation | <u>-</u> | <u>656,056</u> |
| | <u>\$4,414,923</u> | <u>\$3,652,216</u> |

5. DEFERRED GOVERNMENT CONTRIBUTIONS

| | 1989 | 1988 |
|---|--------------------|--------------------|
| Balance at beginning of year | \$1,097,471 | - |
| Contributions from the Province of British Columbia | <u>5,588,000</u> | <u>\$9,270,000</u> |
| | <u>6,685,471</u> | <u>9,270,000</u> |
| Allocated as follows | | |
| Contributed surplus for fixed assets acquisitions | 814,918 | 3,908,077 |
| Transferred to operations | <u>4,710,078</u> | <u>4,264,452</u> |
| | <u>5,524,996</u> | <u>8,172,529</u> |
| BALANCE AT END OF YEAR | <u>\$1,160,475</u> | <u>\$1,097,471</u> |

B.C. PAVILION CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

6. SHARE CAPITAL

Authorized

10,000 common shares with no par value

Issued and fully paid

1 share, held by the Minister of Government
Services on behalf of the Province
of British Columbia

7. CONTINGENT LIABILITY

The Corporation has guaranteed the B.C. Lions' bank loan up to an amount equal to \$2.0 million. This loan guarantee expires December 31, 1989.

8. COMMITMENTS

Obligations under long-term operating leases are \$400,000 for the year ending March 31, 1990.

9. INCOME TAXES

As a Provincial Crown corporation, the Corporation is exempt from federal and provincial income taxes.

10. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Corporation acquired and sold goods and services from the Province of British Columbia and certain Crown corporations, predominantly under prevailing trade terms.

Included in revenue from operations and accounts receivable is rental income of \$962,000 from the B.C. Buildings Corporation, another Crown corporation and \$220,000 from the Ministry of International Business Investment. Included in operations expense is rent paid to B.C. Enterprise Corporation of \$133,000.

11. SUBSEQUENT EVENT

Subsequent to the fiscal year end, the Corporation assumed responsibility for and ownership of the B.C. Film Centre from B.C. Enterprise Corporation. The results of the Film Centre's operations will be included in the fiscal 1989/90 financial statements.

BRITISH COLUMBIA PETROLEUM CORPORATION

PETROLEUM CORPORATION FUND

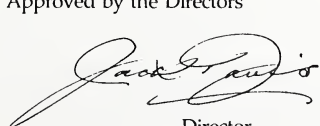
March 31, 1989

Balance Sheet

| ASSETS | 1989 | 1988 |
|---|---------------|----------------|
| Current assets | | |
| Cash | \$ 5,752,910 | \$ 7,143,864 |
| Accounts receivable | 6,705,348 | 8,748,216 |
| | 12,458,258 | 15,892,080 |
| Prepaid gas (Note 3) | 7,732,225 | 33,125,554 |
| Property account (Note 4) | 60,304 | 123,596 |
| Other assets | | |
| Deferred receivable (Note 5) | 36,015,564 | 53,240,797 |
| | \$ 56,266,351 | \$ 102,382,027 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued charges | \$ 83,585 | \$ 5,885,302 |
| Deferred liability due within one year (Note 6) | 1,000,000 | 1,000,000 |
| | 1,083,585 | 6,885,302 |
| Deferred liability (Note 6) | 1,083,333 | 2,083,333 |
| Surplus | 54,099,433 | 93,413,392 |
| | \$ 56,266,351 | \$ 102,382,027 |

Commitments (Note 8)

Approved by the Directors



Director



Director

See accompanying notes to financial statements.

Statement of Revenue, Expenditure and Surplus

PETROLEUM CORPORATION FUND

Year Ended March 31, 1989

| | 1989 | 1988 |
|---|----------------------|----------------------|
| Revenue | | |
| Interest (Note 7) | \$ 6,447,213 | \$ 3,985,694 |
| Miscellaneous income | 84,814 | 106,080 |
| Gain (loss) on prepaid gas (Note 3) | (702,448) | 1,834,023 |
| Gain on disposal of assets | — | 11,700 |
| | 5,829,579 | 5,937,497 |
| Expenditure | | |
| Administrative and general expenses | 143,538 | 110,297 |
| Net income | 5,686,041 | 5,827,200 |
| Surplus at beginning of year | 93,413,392 | 87,586,192 |
| | 99,099,433 | 93,413,392 |
| Deduct: Transfers to Provincial Treasury | 45,000,000 | — |
| Surplus at end of year | \$ 54,099,433 | \$ 93,413,392 |

See accompanying notes to financial statements.

Statement of Changes in Financial Position

PETROLEUM CORPORATION FUND

Year Ended March 31, 1989

| | 1989 | 1988 |
|--|--------------|--------------|
| Operating activities | | |
| Operations | | |
| Net income | \$ 5,686,041 | \$ 5,827,200 |
| Add (deduct) items not involving a flow of cash: | | |
| — Depreciation and amortization | 83,264 | 148,500 |
| — Gain on disposal of fixed assets | — | (11,700) |
| Cash from operations | 5,769,305 | 5,964,000 |
| Recovery of prepaid gas | 25,393,329 | 7,113,151 |
| Transfers to Provincial Treasury | (45,000,000) | — |
| | (13,837,366) | 13,077,151 |
| Financing activities | | |
| Decrease in deferred liability | (1,000,000) | (1,000,000) |
| Repayment of long-term debt | — | (30,000,000) |
| | (1,000,000) | (31,000,000) |
| Investing activities | | |
| Property additions | (19,972) | (50,887) |
| Proceeds from sale of fixed assets | — | 11,700 |
| Decrease (increase) in deferred receivable | 17,225,233 | (5,216,832) |
| | 17,205,261 | (5,256,019) |
| Changes in non-cash working capital | | |
| Accounts receivable | 2,042,868 | (4,151,877) |
| Accounts payable and accrued charges | (5,801,717) | 2,977,683 |
| | (3,758,849) | (1,174,194) |
| Decrease in cash position during the year | (1,390,954) | (24,353,062) |
| Cash position at beginning of year | 7,143,864 | 31,496,926 |
| Cash position at end of year | \$ 5,752,910 | \$ 7,143,864 |

See accompanying notes to financial statements.

Notes to the Financial Statements

PETROLEUM CORPORATION FUND

March 31, 1989

Note 1 — Statutory Requirements

The Petroleum Corporation Fund is established by the Petroleum Corporation Act, 1973.

Note 2 — Significant Accounting Policies

CONSOLIDATION

The Petroleum Corporation Fund financial statements include the accounts of the Corporation's subsidiary, B.C. Petroleum (Kitimat) Ltd.

DEPRECIATION

Furniture, equipment, automobiles and leasehold improvements are recorded at cost and depreciation is provided at rates considered adequate to amortize the cost over the service lives of the assets. Depreciation is computed on a straight-line basis.

Note 3 — Prepaid Gas

Under its current gas purchase contracts with producers, the Corporation is obligated to purchase and take delivery of, or pay for, a specified minimum annual volume of gas. In the contract years 1980-1988 inclusive, the Corporation was unable to take delivery of the minimum volume of gas and, therefore, is liable to pay for the resulting shortfall (deficiency gas). The Corporation is entitled to take delivery of deficiency gas within a period of ten years from the date incurred, with an adjustment for any increase in the prices prevailing when such gas is delivered.

Prepaid gas outstanding at March 31, 1989, has been calculated at the lower of cost or current value.

Note 4 — Property Account

| | Cost | Accumulated Depreciation & Amortization | 1989 Net Book Value | 1988 Net Book Value |
|--------------------------------|-----------|--|---------------------------|---------------------------|
| Furniture | \$421,264 | \$394,640 | \$ 26,624 | \$ 54,318 |
| Automobiles | 50,050 | 23,944 | 26,106 | 37,244 |
| Leasehold Improve- ments | 251,158 | 243,584 | 7,574 | 32,034 |
| | \$722,472 | \$662,168 | \$ 60,304 | \$123,596 |

Note 5 — Deferred Receivable

The deferred receivable of \$36,015,564 represents the amount of credit extended to Ocelot Chemicals Inc. as at March 31, 1989, under an agreement with the Corporation and its subsidiary, B.C. Petroleum (Kitimat) Ltd. Of this receivable, which is secured by a first fixed and floating charge on the assets of that company, an amount of \$33,518,518 is repayable by way of equal monthly instalments to April 1, 2004, with interest at three quarters of one percent over prime, and an amount of \$2,083,333 is repayable by way of equal monthly instalments to April 1, 1991, at the same interest rate.

Note 6 — Deferred Liability

The deferred liability of \$2,083,333 represents the deferral, under an agreement with Pacific Northern Gas Ltd., in the payment of a portion of the billing for gas delivered to B.C. Petroleum (Kitimat) Ltd. This amount, including accrued interest at a rate of not less than three quarters of one percent over prime, is repayable over a period of five years which commenced May 1, 1986.

Note 7 — Interest

| | 1989 | 1988 |
|--|-------------|-------------|
| Interest Income | | |
| Province of British Columbia | \$1,692,304 | \$2,295,961 |
| Other | 4,754,909 | 5,144,653 |
| | 6,447,213 | 7,440,614 |
| Less: Interest expense | — | 3,412,500 |
| Amortization of debt issue expenses | — | 42,420 |
| | — | 3,454,920 |
| | \$6,447,213 | \$3,985,694 |

Auditors' Report

PETROLEUM CORPORATION FUND

Note 8 — Commitments

- (1) Under agreements with producers which waived the Corporation's liability to pay for deficiency gas incurred in 1980, the Corporation is committed to purchase and take delivery of, or pay for, a specified volume of such gas in each year to 1991. At March 31, 1989, the Corporation's aggregate liability under these agreements was estimated at approximately \$112,523.
- (2) The Corporation has a commitment under an agreement for the lease of office premises extending to September 30, 1989. The aggregate rental payable under leases amounted to approximately \$118,700 as at March 31, 1989. An option to renew the lease for a further five year term has been exercised at a rental yet to be determined.

To the Lieutenant-Governor in Council, Province of British Columbia:

We have examined the balance sheet of the Petroleum Corporation Fund as at March 31, 1989, and the statements of revenue, expenditure and surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1989, and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Wolrige Mahon
Chartered Accountants

Vancouver, B.C., May 23, 1989

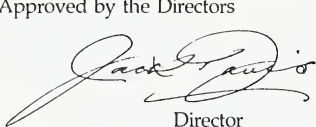

NATURAL GAS PRICE ADJUSTMENT FUND

March 31, 1989

Balance Sheet

| ASSETS | 1989 | 1988 |
|--|----------------------|----------------------|
| Cash | \$ 36,941,499 | \$ 47,730,438 |
| Accounts receivable | 44,155,191 | 38,133,493 |
| Prepaid expenses | 4,519 | 8,153 |
| | \$ 81,101,209 | \$ 85,872,084 |
| LIABILITIES | | |
| Accounts payable and accrued charges | \$ 43,844,803 | \$ 37,963,262 |
| Amount available for distribution (Note 2) | 37,256,406 | 47,908,822 |
| | \$ 81,101,209 | \$ 85,872,084 |

Approved by the Directors

Director

Director

Statement of Revenue, Expenditure & Fund Balance

NATURAL GAS PRICE ADJUSTMENT FUND

Year Ended March 31, 1989

| | 1989 | 1988 |
|--|----------------------|----------------------|
| Revenue | | |
| Sales from natural gas, natural gas liquids and sulphur (Note 2) | \$314,619,071 | \$396,809,907 |
| Interest | 3,430,404 | 2,122,038 |
| | 318,049,475 | 398,931,945 |
| Expenditure | | |
| Natural gas purchases | 298,798,734 | 352,675,110 |
| Price adjustments | 16,681,101 | 18,590,888 |
| Payments for natural gas liquids | 11,095,442 | 18,462,547 |
| Administrative and general expenses | 2,126,614 | 2,076,334 |
| | 328,701,891 | 391,804,879 |
| Excess of expenditure over revenue | 10,652,416 | (7,127,066) |
| Fund balance at beginning of year, as restated (note 3) | 47,908,822 | 40,781,756 |
| Fund balance at end of year | \$ 37,256,406 | \$ 47,908,822 |

See accompanying notes to financial statements.

Notes to the Financial Statements Auditors' Report

NATURAL GAS PRICE ADJUSTMENT FUND
March 31, 1989

NATURAL GAS PRICE ADJUSTMENT FUND

Note 1 — Statutory Requirements

The Natural Gas Price Adjustment Fund is established by the Natural Gas Price Act, 1985.

Note 2 — Significant Accounting Policies

GAS SALES

Under the terms of an agreement between Westcoast Energy Inc. and British Columbia Petroleum Corporation, effective November 1, 1973, the Corporation sells natural gas to Westcoast at a price equal to the gross revenue received by that Company on the resale thereof less that Company's cost of service, in respect of gathering, processing and transporting the gas, for the month in which such resale takes place. In addition, the Corporation sells natural gas to other customers at negotiated prices. The revenues from sales of natural gas and by-products are paid into the Natural Gas Price Adjustment Fund for subsequent distribution to producers, as required by the Natural Gas Price Act.

CHANGES IN FINANCIAL POSITION

A statement of changes in financial position is not provided as disclosure of such information in these financial statements is considered to be adequate.

Note 3 — Prior Period Adjustment

As a result of an adjustment to the revenues remitted by Westcoast Energy Inc., retroactive to January 1, 1988, the fund balance at March 31, 1988, previously reported as \$49,052,812, has been restated to reflect a decrease in income of \$1,143,990. The comparative figures for the year ended March 31, 1988, have been restated where applicable.

To the Lieutenant-Governor in Council, Province of British Columbia:

We have examined the balance sheet of the Natural Gas Price Adjustment Fund as at March 31, 1989, and the statement of revenue, expenditure and fund balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1989, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Wolrige Mahon

Wolrige Mahon
Chartered Accountants

Vancouver, B.C., May 23, 1989

BRITISH COLUMBIA RAILWAY COMPANY**Coopers
& Lybrand**

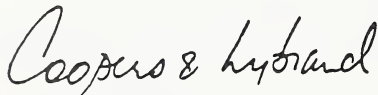
chartered accountants

a member firm of
Coopers & Lybrand (International)**AUDITORS' REPORT**

To the Lieutenant Governor in Council
Province of British Columbia

We have examined the consolidated balance sheet of British Columbia Railway Company as at December 31, 1988 and the statements of income and retained earnings and cash flow for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1988 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Vancouver, Canada

February 9, 1989

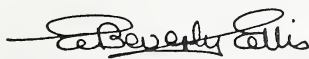
BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED BALANCE SHEET
(Dollars in Thousands)

| December 31 | 1988 | 1987 |
|-------------------------------|-----------------|-----------------|
| <hr/> | | |
| ASSETS | | |
| Current assets | | |
| Cash | \$ 22,693 | \$ 23,447 |
| Accounts receivable | 38,441 | 37,131 |
| Material and other items | 33,747 | 35,604 |
| | <hr/> 94,881 | <hr/> 96,182 |
| <hr/> | | |
| Property and equipment | | |
| Road and buildings | 1,182,069 | 1,124,824 |
| Equipment | 271,636 | 269,943 |
| | <hr/> 1,453,705 | <hr/> 1,394,767 |
| Accumulated depreciation | 308,535 | 278,099 |
| | <hr/> 1,145,170 | <hr/> 1,116,668 |
| <hr/> | | |
| Dease Lake extension - Note 2 | 98,020 | 98,020 |
| | <hr/> 1,338,071 | <hr/> 1,310,870 |
| <hr/> | | |

LIABILITIES AND SHAREHOLDER'S EQUITY

| | | |
|---------------------------------------|--------------------|--------------------|
| Current liabilities | | |
| Accounts payable | 80,427 | 99,498 |
| Current obligations on long-term debt | 1,766 | 1,596 |
| | <hr/> 82,193 | <hr/> 101,094 |
| <hr/> | | |
| Long-term debt - Note 3 | 111,460 | 113,366 |
| <hr/> | | |
| Minority interest - Note 4 | 200,000 | 200,000 |
| <hr/> | | |
| Shareholder's equity | | |
| Share capital - Note 5 | 257,688 | 257,688 |
| Contributed surplus | 510,716 | 510,716 |
| Retained earnings | 176,014 | 128,006 |
| | <hr/> 944,418 | <hr/> 896,410 |
| <hr/> | | |
| Commitments - Note 6 | | |
| Contingent liabilities - Note 7 | | |
| | <hr/> \$ 1,338,071 | <hr/> \$ 1,310,870 |
| <hr/> | | |

On behalf of the Board


Director


Director

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED INCOME AND RETAINED EARNINGS
(Dollars in Thousands)

| For the year ended December 31 | 1988 | 1987 |
|--|------------|------------|
| Revenues | | |
| Rail operations | \$ 319,710 | \$ 315,707 |
| Government operating assistance - Note 9 | 7,284 | 9,890 |
| | 326,994 | 325,597 |
| Expenses | | |
| Operations | 70,674 | 71,216 |
| Equipment | 66,580 | 67,042 |
| Road | 45,516 | 48,117 |
| Depreciation | 35,853 | 34,870 |
| General and administration | 24,086 | 23,542 |
| | 242,709 | 244,787 |
| Railway operating income | 84,285 | 80,810 |
| Non-operating income (expense) | | |
| Interest - Note 10 | (11,145) | (11,839) |
| Other income | 3,676 | 3,267 |
| | (7,469) | (8,572) |
| Net income before deferred income taxes | 76,816 | 72,238 |
| Recovery of deferred income taxes - Note 8 | 0 | 517 |
| Net income before minority interest | 76,816 | 72,755 |
| Minority interest | 18,500 | 18,500 |
| Net income | 58,316 | 54,255 |
| Retained earnings, beginning of year | 128,006 | 84,059 |
| | 186,322 | 138,314 |
| Dividends paid | 10,308 | 10,308 |
| Retained earnings, end of year | \$ 176,014 | \$ 128,006 |

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED CASH FLOW
(Dollars in Thousands)

| For the year ended December 31 | 1988 | 1987 |
|---|-----------|-----------|
| ----- | | |
| Operating activities | | |
| Net income | \$ 58,316 | \$ 54,255 |
| Add (deduct) | | |
| Items not affecting working capital | | |
| Depreciation | 35,853 | 34,870 |
| Deferred income taxes (recovery) | 0 | (517) |
| Net change in non-cash working capital | | |
| Accounts receivable | (1,310) | 13,896 |
| Material and other items | 1,857 | (5,153) |
| Accounts payable | (18,526) | 16,201 |
| Interest | 11,145 | 11,839 |
| Minority interest in earnings | 18,500 | 18,500 |
| | 105,835 | 143,891 |
| ----- | | |
| Investing activities | | |
| Additions to property and equipment | (69,851) | (72,447) |
| Changes in payables for equipment purchases | (545) | (146) |
| Government assistance for capital items | 5,496 | 4,343 |
| | (64,900) | (68,250) |
| ----- | | |
| Financing activities | | |
| Repayment of long-term debt | (1,736) | (12,259) |
| Interest | (11,145) | (11,839) |
| Minority interest in earnings | (18,500) | (18,500) |
| | (31,381) | (42,598) |
| ----- | | |
| Dividends paid | (10,308) | (10,308) |
| ----- | | |
| Increase (decrease) in cash | (754) | 22,735 |
| Cash, beginning of year | 23,447 | 712 |
| ----- | | |
| Cash, end of year | \$ 22,693 | \$ 23,447 |
| ===== | | |

BRITISH COLUMBIA RAILWAY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting regulations prescribed by the Canadian Transport Commission for Canadian railways have been adopted to the extent that this is possible without submitting specific accounting policies and depreciation rates to the Commission for approval.

Basis of consolidation

The consolidated financial statements include the accounts of British Columbia Railway Company and its subsidiaries BC Rail Ltd. and BCR Properties Ltd. In these notes "company" refers to British Columbia Railway Company and its subsidiaries. All significant inter-company transactions are eliminated.

Class of business

The company provides a fully integrated rail freight service within British Columbia. Services other than hauling freight are not of sufficient size to warrant separate reporting.

Road property

New construction is recorded at cost net of Government grants. Abandoned or relocated sections are removed at average unit costs. Elements of track structure installed during planned programs are recorded at cost and the material replaced is removed at amounts which approximate average unit costs. Labour costs for programmed replacements are expensed as incurred.

Depreciation

Depreciation is provided for major categories of property and equipment on the straight-line basis at composite rates estimated to reduce the original cost to estimated salvage value over the average service lives of the classes. The group method is used for recording depreciation under which, on disposal, the original cost of assets retired less salvage value is charged against accumulated depreciation. No gain or loss on retirements, other than on accidental destruction of rolling stock and on disposal of land, is included in income. The original cost of assets less estimated salvage value is depreciated over the following number of years:

| | Number of years ----- |
|-----------------------------|--------------------------|
| Grade and tunnels | 100 |
| Rail | 35 |
| Ties | 15 |
| Ballast | 25 |
| Bridges | 30 - 80 |
| Locomotives and power units | 25 |
| Freight cars | 15 - 33 |

Repairs

Repairs and non-programmed replacements of track structure are charged against current operations. Betterments and major track relocations are capitalized.

Material and supplies

Inventories of material and supplies are valued at the lower of average cost and net realizable value.

Government assistance

Grants directly related to the construction or rehabilitation of road property have offset related road property capital expenditures. Operating assistance has been deducted from the related expense accounts or included in revenue.

Income taxes

Income tax expense is computed on the basis of accounting income recorded by BC Rail Ltd.

Transactions in foreign currency

Transactions originating in foreign currency are translated at the approximate exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currency at the balance sheet date are translated to equivalent Canadian amounts at the current rate of exchange.

Leases

Certain long-term lease transactions relating to the financing of equipment are accounted for as purchases. The capital lease obligations reflect the present value of future minimum rental payments discounted at the interest rate implicit in the leases. The capitalized values of depreciable

assets are generally depreciated over the related lease terms in equal annual amounts. Costs of all other leases are charged against operations as incurred.

2. DEASE LAKE EXTENSION

These costs consist of charges relating to the uncompleted Dease Lake extension. Construction was suspended in 1977 and there are no commitments to continue. In the event any portion of this extension is abandoned, the cost less any value recovered will be written off at that time.

3. LONG-TERM DEBT

Long-term debt outstanding, less current maturities, consists of the following (in thousands):

| | 1988 ----- | 1987 ----- |
|--|---------------|---------------|
| Sinking fund bonds and debentures payable to the Province of British Columbia (the Province) | | |
| 11% due June 1995 | \$ 25,000 | \$ 25,000 |
| 10.99% due August 2005 | 24,490 | 24,490 |
| | ----- | ----- |
| | 49,490 | 49,490 |
| Less sinking fund | 654 | 416 |
| | ----- | ----- |
| | 48,836 | 49,074 |
| Bond payable to the Province 10.75% due February 1990 | 25,000 | 25,000 |
| Capital lease obligations - Notes 6 and 12 | 39,390 | 40,888 |
| | ----- | ----- |
| | 113,226 | 114,962 |
| Deduct current portion | 1,766 | 1,596 |
| | ----- | ----- |
| | \$111,460 | \$113,366 |
| | ===== | ===== |

4. MINORITY INTEREST

The minority interest consists of 8,000,000 series 1-A first preferred shares with a par value of \$25 each issued by BC Rail Ltd. These shares are designated as \$2.3125 cumulative, redeemable and retractable.

BC Rail Ltd. must make all reasonable efforts in each quarter to purchase for cancellation in the open market three-quarters of 1% of the series 1-A preferred shares outstanding at the beginning of the quarter at a price not to exceed \$25 per share and all transaction costs. If it is unable to fulfill its obligation in any calendar quarter the obligation will carry over only to the successive calendar quarters of the same calendar year and will thereafter be extinguished. During 1988 the company was unable to purchase shares at a price not exceeding \$25 per share. On June 1, 1989, these shares are retractable at par at the option of the holder.

5. SHARE CAPITAL

Authorized

10,000,000 shares with a par value of \$100 each.

Issued and outstanding

2,576,885 shares held by the Province

As all of the shares are held by the Province, earnings per share have not been provided.

6. COMMITMENTS

The company has significant lease commitments for rolling stock and additional minor lease commitments for equipment and real estate which expire at various dates prior to the year 2003. Certain of these leases transfer substantially all of the benefits and risks of ownership to the company and are accounted for as capital assets.

The following is a schedule of future minimum rental payments at December 31, 1988 required under non-cancellable leases that have remaining terms in excess of one year (in thousands):

| | Capital leases | Operating leases |
|------------------------------|-------------------|---------------------|
| | ----- | ----- |
| 1989 | \$ 6,763 | \$ 14,150 |
| 1990 | 6,763 | 12,752 |
| 1991 | 6,763 | 11,442 |
| 1992 | 6,763 | 10,213 |
| 1993 | 6,763 | 8,313 |
| Later years | 44,302 | 17,716 |
| | ----- | ----- |
| Total minimum lease payments | 78,117 | \$ 74,586 |
| | | ===== |
| Less | | |
| Executory costs | 5,773 | |
| Imputed interest | 32,954 | |
| | ----- | |
| Present value | \$39,390 | |
| | ===== | |

Assets under capital leases recorded in the property and equipment accounts as at December 31, 1988 are as follows (in thousands):

| | |
|--------------------------|----------|
| Equipment | \$46,493 |
| Accumulated depreciation | 15,704 |
| | ----- |
| | \$30,789 |
| | ===== |

As at December 31, 1988 the company had outstanding purchase commitments for the acquisition of land, material and equipment amounting to \$20 million.

7. CONTINGENT LIABILITIES

The company is contingently liable with respect to pending litigation and claims arising in connection with construction and in the normal course of business. In the opinion of management any liability that may arise will be capitalized or would not have a material adverse effect on future income.

8. INCOME TAXES

The effective tax rate differs from the rate of 46.4% applicable to British Columbia companies because the net income of British Columbia Railway Company and BCR Properties Ltd. is exempt from federal and provincial income taxes; however, the net income of BC Rail Ltd. is subject to federal and provincial income taxes.

9. GOVERNMENT ASSISTANCE

Government assistance was as follows (in thousands):

| | 1988 | 1987 |
|-------------------------------|--------|--------|
| | ----- | ----- |
| Unapplied, beginning of year | \$ 0 | \$ 767 |
| | ----- | ----- |
| Contributions during the year | | |
| From the Province | | |
| Fort Nelson Extension | | |
| Operating | 4,150 | 3,493 |
| Rehabilitation | 8,330 | 7,275 |
| Passenger operation | 2,500 | 2,500 |
| Passenger car modernization | 1,597 | 1,063 |
| Flood control | 0 | (110) |
| | ----- | ----- |
| | 16,577 | 14,221 |
| From the Government of Canada | | |
| Grain transportation | 634 | 3,240 |
| | ----- | ----- |
| | 17,211 | 17,461 |
| | ----- | ----- |
| Total available | 17,211 | 18,228 |
| | ----- | ----- |
| Applied as follows | | |
| Revenue | | |
| Grain transportation | 634 | 3,240 |
| Passenger operation | 2,500 | 2,500 |
| Fort Nelson extension | 4,150 | 4,150 |
| | ----- | ----- |
| | 7,284 | 9,890 |
| | ----- | ----- |
| Operating expenses | | |
| Fort Nelson extension | 2,834 | 2,932 |
| Passenger car modernization | 1,597 | 1,063 |
| | ----- | ----- |
| | 4,431 | 3,995 |
| | ----- | ----- |
| Property and equipment | | |
| Fort Nelson extension | 5,496 | 4,343 |
| | ----- | ----- |
| | 17,211 | 18,228 |
| | ----- | ----- |
| Unapplied, end of year | \$ 0 | \$ 0 |
| | ===== | ===== |

10. INTEREST EXPENSE

Interest expense was as follows (in thousands):

| | 1988 | 1987 |
|---|----------|----------|
| | ----- | ----- |
| Interest on long-term debt and notes to the Province | \$ 8,140 | \$ 8,254 |
| | ----- | ----- |
| Less | | |
| Sinking fund earnings | 49 | 25 |
| | | |
| Interest earned on temporary investments | 1,734 | 1,420 |
| | ----- | ----- |
| | 1,783 | 1,445 |
| | ----- | ----- |
| | 6,357 | 6,809 |
| Interest on capital lease obligations | 4,788 | 5,030 |
| | ----- | ----- |
| Net interest | \$11,145 | \$11,839 |
| | ===== | ===== |

11. PENSION PLAN

The company maintains a contributory defined benefit plan which covers substantially all of its employees. The plan provides pensions based on length of service and average earnings.

An actuarial valuation of the plan as at January 1, 1989 indicates that the accrued benefit obligations and the net assets available to provide for these obligations are as follows:

| | |
|-----------------------------|---------------|
| Accrued benefit obligations | \$161 million |
| Pension fund assets | \$195 million |

A proposal will be presented in 1989 to the joint Pension Committee that will be designed to reduce the excess of pension fund assets over the accrued benefit obligations.

12. RELATED PARTY TRANSACTIONS

Related party information not presented elsewhere in the notes to financial statements is presented below.

First preferred shares of BC Rail Ltd. and certain capital lease obligations are guaranteed by the Province. The Ministry of Finance and Corporate Relations of the Province acts as fiscal agent and the Superannuation Commission of the Province administers the company pension plan. Fees are charged for both of these services.

Except as described in Note 8, the company is subject to all other taxes levied by the Province except property taxes. All other transactions between the company and the Province are at terms no more or less favorable than those with unrelated parties.

13. COMPARATIVE DATA

Where applicable, the 1987 accounts have been reclassified to conform with the 1988 presentation.

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Chairman and Members of the
British Columbia Regional Hospital Districts
Financing Authority, and

To the Minister of Finance and Corporate Relations,
Province of British Columbia:

I have examined the balance sheet of the British Columbia Regional Hospital Districts Financing Authority as at March 31, 1989 and the statements of financing and lending activities and changes in sinking funds for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1989 and the results of its operations and changes in sinking funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Hospital District Finance Act. In my opinion, these transactions were, in all significant respects, in compliance with the Act.

A handwritten signature in black ink, reading 'George L. Morfitt'.

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 2, 1989

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

BALANCE SHEET

AS AT MARCH 31, 1989

ASSETS

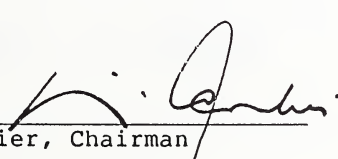
| | In Thousands | |
|------------------------------|-------------------|-------------------|
| | <u>1989</u> | <u>1988</u> |
| Loans receivable (note 3) | \$1,055,525 | \$ 978,048 |
| Less: Sinking funds (note 5) | <u>291,981</u> | <u>261,858</u> |
| | 763,544 | 716,190 |
| Accrued interest receivable | <u>37,721</u> | <u>35,136</u> |
| | <u>\$ 801,265</u> | <u>\$ 751,326</u> |

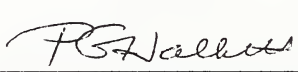
LIABILITIES

| | | |
|------------------------------|--------------------|--------------------|
| Term debt (note 4) | <u>\$1,161,023</u> | <u>\$1,082,332</u> |
| Less: Sinking funds (note 5) | 291,981 | 261,858 |
| Investments (note 6) | <u>105,498</u> | <u>104,284</u> |
| | <u>397,479</u> | <u>366,142</u> |
| | 763,544 | 716,190 |
| Accrued interest payable | <u>37,721</u> | <u>35,136</u> |
| | <u>\$ 801,265</u> | <u>\$ 751,326</u> |

The six accompanying notes are an integral part of these financial statements.

Approved by the Authority:


Mel Couvelier, Chairman


Philip G. Halkett, Secretary

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY
 STATEMENT OF FINANCING AND LENDING ACTIVITIES
 FOR THE YEAR ENDED MARCH 31, 1989

| | In Thousands | |
|---|------------------|------------------|
| | <u>1989</u> | <u>1988</u> |
| Funds generated from | | |
| Interest on loans receivable | \$117,526 | \$111,651 |
| Interest on investments | 7,629 | 6,891 |
| Debentures issued | 95,627 | 82,838 |
| Sinking funds of matured debt | - | 22,000 |
| Repayment of loans receivable | - | 1,392 |
| Matured investments | 16,936 | - |
| Assets transferred from sinking funds (note 6) | 16,623 | 28,655 |
| Write-up of investments to par value (note 6) | <u>1,527</u> | <u>2,273</u> |
| | <u>\$255,868</u> | <u>\$255,700</u> |
| Funds applied to | | |
| Interest on term debt | \$125,155 | \$118,542 |
| Loans issued | 95,627 | 82,838 |
| Repayment of term debt | 16,936 | 23,392 |
| Loans receivable discharged (note 6) | <u>18,150</u> | <u>30,928</u> |
| | <u>\$255,868</u> | <u>\$255,700</u> |

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

STATEMENT OF CHANGES IN SINKING FUNDS

FOR THE YEAR ENDED MARCH 31, 1989

| | In Thousands | |
|---|------------------|------------------|
| | <u>1989</u> | <u>1988</u> |
| Increase | | |
| Instalments | \$ 24,018 | \$ 24,948 |
| Investment income | <u>26,347</u> | <u>24,171</u> |
| | <u>50,365</u> | <u>49,119</u> |
| Decrease | | |
| Funds management fees (note 5) | 130 | 123 |
| Payment of excess assets of certified sinking funds (note 6) | 3,083 | 2,637 |
| Assets transferred to the Authority - at cost (note 6) | 16,623 | 28,655 |
| Accrued interest on assets transferred to the Authority | 406 | 856 |
| Maturity of term debt | <u>-</u> | <u>22,000</u> |
| | <u>20,242</u> | <u>54,271</u> |
| Net increase (decrease) in Sinking Funds | 30,123 | (5,152) |
| Sinking Funds, Beginning of Year | <u>261,858</u> | <u>267,010</u> |
| Sinking Funds, End of Year | <u>\$291,981</u> | <u>\$261,858</u> |

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

1. The Authority

The Authority was established by the Hospital District Finance Act, R.S.B.C. 1979, Chapter 179, as amended. Section 2 of the Act states that the purpose of the Authority is: "to assist in the financing of hospital projects, medical and health facilities, community human resources and health centres, and any other community, regional or Provincial facilities for the social improvement, welfare and benefit of the community or the general public good, approved by the Minister of Health".

The Authority provides assistance by making loans to regional hospital districts and the Health Facilities Association. These loans are financed by, and have interest rates and maturity dates identical to, the borrowing of the Authority itself.

2. Significant accounting policies

a) Sinking fund investments

- i) Units in Province of British Columbia Pooled Investment portfolios are carried at the lower of cost of acquisition, adjusted by income attributed to the units, and market value.
- ii) Long-term investments are valued at cost of acquisition adjusted by amortization of discounts and premiums on a constant yield basis over the term of the investments.

b) Certification of sinking funds

Investments purchased with the assets from certified sinking funds (see note 6) are recorded at par value. They are shown as a reduction of debt, as the specific purpose of these investments is essentially the same as that of a sinking fund.

3. Loans receivable

Certain loans receivable have early redemption provisions similar to those of the related debentures issued by the Authority.

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

4. Term debt

In Thousands

| | <u>1989</u> | <u>1988</u> |
|---|--------------------|--------------------|
| Held by: | | |
| Canada Pension Plan Investment Fund | | |
| 6.75% to 17.51% debentures, due 1989 through 2008 | \$1,064,709 | \$1,005,301 |
| Province of British Columbia | | |
| Pension Funds | | |
| 7.00% to 8.08% debentures, due 1990 through 1993 | 22,310 | 22,310 |
| Province of British Columbia | | |
| Boards, Agencies and Commissions | | |
| 7.00% to 10.40% debentures, due 1991 through 2001 | 17,190 | 17,190 |
| British Columbia Regional Hospital Districts Financing Authority | | |
| Sinking Fund | | |
| 7.54% debenture, due 1991 | 10,000 | 10,000 |
| Province of British Columbia | | |
| 6.79% to 10.50% debentures, due 1991 through 1998 | <u>46,814</u> | <u>27,531</u> |
| | <u>\$1,161,023</u> | <u>\$1,082,332</u> |

Debentures issued to the Canada Pension Plan Investment Fund are redeemable in whole or in part before maturity, on six months' notice, at the option of the Minister of Finance of Canada, subject to certain restrictions.

Debentures totalling \$4,653,000, (1988: \$4,653,000) are redeemable in whole or in part before maturity, on thirty days' notice, at the option of the Minister of Finance and Corporate Relations of the Province of British Columbia.

Debentures totalling \$2,000,000 (1988: \$2,000,000) are redeemable in whole or in part, after 1994, at the option of the Chairman of the Authority.

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

4. Term debt (continued)

Debentures maturing in the next five fiscal years are as follows:

In Thousands

| | |
|------|----------|
| 1990 | \$18,920 |
| 1991 | 23,500 |
| 1992 | 22,928 |
| 1993 | 27,653 |
| 1994 | 27,020 |

Repayment of these debentures will be fully funded by investments or sinking fund assets.

Sinking fund instalments due in the next five fiscal years are as follows:

In Thousands

| | |
|------|----------|
| 1990 | \$27,063 |
| 1991 | 27,063 |
| 1992 | 27,063 |
| 1993 | 27,063 |
| 1994 | 26,270 |

The Province of British Columbia has unconditionally guaranteed the payment of principal and interest on \$1,114,209,300 (1988: \$1,054,801,000) of the debt of the Authority.

5. Sinking funds

In Thousands

| | <u>1989</u> | <u>1988</u> |
|--|------------------|------------------|
| Cash | \$ - | \$ 45 |
| Units in Province of British Columbia | | |
| Pooled Investment Portfolios (at market) | 124,333 | 81,563 |
| Accounts receivable | 115 | - |
| Long-term investments | 162,178 | 176,261 |
| (market value \$155,333,954; 1988: \$175,589,418) | | |
| Accrued interest | 3,910 | 4,020 |
| Other assets | <u>1,575</u> | <u>-</u> |
| | <u>292,111</u> | <u>261,889</u> |
| Less: Bank overdraft | 97 | - |
| Accounts payable | <u>33</u> | <u>31</u> |
| | <u>130</u> | <u>31</u> |
| | <u>\$291,981</u> | <u>\$261,858</u> |

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

5. Sinking funds (continued)

Long-term investments include \$10,000,000 (1988: \$10,000,000) par value of debentures issued by the Authority.

Sinking fund instalments received from the hospital districts in respect of the debt to the Authority, together with the investment income earned thereon, are placed in sinking funds maintained by the trustee, the Minister of Finance and Corporate Relations. These funds provide for the retirement of the hospital districts' debt and in turn, for the retirement of the debt of the Authority at maturity.

Long-term investments consist primarily of bonds of the Government of Canada, various provinces and Crown corporations.

Other assets represent the share of funds held in the Province's fiscal agency loan program sinking fund. The fund consists of investments in the Province of British Columbia Pooled Investment Portfolio ST2.

Funds management fees have been charged to the sinking funds of the Authority by the Minister of Finance and Corporate Relations in accordance with Section 39(4) of the Financial Administration Act. These fees are based on the market value of sinking fund assets and are charged on a quarterly basis during the year.

6. Investments

| | Par Value In Thousands | |
|------------------------------------|---------------------------|------------------|
| | <u>1989</u> | <u>1988</u> |
| Province of British Columbia Notes | | |
| 6.75% to 8.33%, maturing | | |
| 1989 through 1994 | \$105,498 | \$ 87,348 |
| British Columbia Hydro and Power | | |
| Authority Notes | | |
| 6.62% to 6.92%, matured in | | |
| 1988 - 1989 fiscal year | <u>-</u> | <u>16,936</u> |
| | <u>\$105,498</u> | <u>\$104,284</u> |

Certain investments have early redemption provisions similar to those of the related debentures issued by the Authority.

BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

6. Investments (continued)

Under Section 8.1 of the Hospital District Finance Act, where a security is held by the Authority, and the Minister of Finance and Corporate Relations of the Province of British Columbia certifies that the assets of the related sinking fund are sufficient to meet all obligations respecting the payment of principal and interest under the security, the body who issued the security shall transfer the assets in the sinking fund to the Authority.

Upon transfer of the assets, the debt of the body is discharged, subject to conditions contained in the Minister's certificate. Where the Minister certifies that the assets of the sinking fund exceed what is required to meet the obligations of the security, the Authority shall pay the excess to the body who issued the security.

During the year ended March 31, 1989, loans receivable totalling \$18,150,000 (1988: \$30,928,000) were discharged. Investments with a cost of \$16,622,755 (1988: \$28,654,946) and a par value of \$18,150,000 (1988: \$30,928,000) were purchased with the assets from certified sinking funds. These investments have identical interest rates and maturity dates to the loans receivable they are replacing. They will be held until maturity and will be used to finance interest payments and principal repayment of the Authority's corresponding debt.

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Chairman and Members of the
British Columbia School Districts Capital Financing Authority, and

To the Minister of Finance and Corporate Relations,
Province of British Columbia:

I have examined the balance sheet of the British Columbia School Districts Capital Financing Authority as at March 31, 1989 and the statements of financing and lending activities and changes in sinking funds for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1989 and the results of its operations and changes in sinking funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the School District Capital Financing Act. In my opinion, these transactions were, in all significant respects, in compliance with the Act.

A handwritten signature in dark ink, reading 'George L. Morfitt'.

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 14, 1989

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

BALANCE SHEET

AS AT MARCH 31, 1989

ASSETS

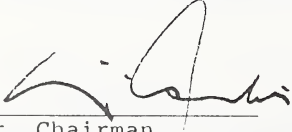
| | In Thousands | |
|------------------------------|-------------------|-------------------|
| | <u>1989</u> | <u>1988</u> |
| Loans receivable (note 3) | \$1,322,205 | \$1,270,588 |
| Less: Sinking funds (note 5) | <u>513,515</u> | <u>444,725</u> |
| | 808,690 | 825,863 |
| Accrued interest receivable | <u>49,158</u> | <u>47,957</u> |
| | <u>\$ 857,848</u> | <u>\$ 873,820</u> |

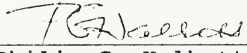
LIABILITIES

| | | |
|------------------------------|--------------------|--------------------|
| Term debt (note 4) | <u>\$1,536,686</u> | <u>\$1,499,487</u> |
| Less: Sinking funds (note 5) | 513,515 | 444,725 |
| Investments (note 6) | <u>214,481</u> | <u>228,899</u> |
| | <u>727,996</u> | <u>673,624</u> |
| | 808,690 | 825,863 |
| Accrued interest payable | <u>49,158</u> | <u>47,957</u> |
| | <u>\$ 857,848</u> | <u>\$ 873,820</u> |

The seven accompanying notes are an integral part of these financial statements.

Approved by the Authority:


Mel Couvelier, Chairman


Philip G. Halkett, Secretary

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

STATEMENT OF FINANCING AND LENDING ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 1989

| | In Thousands | |
|---|------------------|------------------|
| | <u>1989</u> | <u>1988</u> |
| Funds generated from | | |
| Interest on loans receivable | \$143,225 | \$139,349 |
| Interest on investments | 16,248 | 16,370 |
| Debentures issued | 62,006 | 59,060 |
| Matured investments | 24,418 | 76,395 |
| Assets transferred from sinking funds (note 6) | 9,117 | 82,229 |
| Write-up of investments to par value (note 6) | <u>883</u> | <u>7,379</u> |
| | <u>\$255,897</u> | <u>\$380,782</u> |
| Funds applied to | | |
| Interest on term debt | \$159,473 | \$155,719 |
| Loans issued | 62,006 | 59,060 |
| Repayment of term debt | 24,418 | 76,395 |
| Loans receivable discharged (note 6) | <u>10,000</u> | <u>89,608</u> |
| | <u>\$255,897</u> | <u>\$380,782</u> |

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

STATEMENT OF CHANGES IN SINKING FUNDS

FOR THE YEAR ENDED MARCH 31, 1989

| | In Thousands | |
|---|------------------|------------------|
| | <u>1989</u> | <u>1988</u> |
| Increase | | |
| Instalments | \$ 33,342 | \$ 33,574 |
| Investment income | <u>45,649</u> | <u>40,536</u> |
| | <u>78,991</u> | <u>74,110</u> |
| Decrease | | |
| Funds management fees (note 5) | 189 | 180 |
| Payment of excess assets of certified sinking funds (note 6) | 803 | 12,190 |
| Assets transferred to the Authority - at cost (note 6) | 9,117 | 82,229 |
| Accrued interest on assets transferred to the Authority | <u>92</u> | <u>1,601</u> |
| | <u>10,201</u> | <u>96,200</u> |
| Net increase (decrease) in Sinking Funds | 68,790 | (22,090) |
| Sinking Funds, Beginning of Year | <u>444,725</u> | <u>466,815</u> |
| Sinking Funds, End of Year | <u>\$513,515</u> | <u>\$444,725</u> |

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

1. The Authority

The Authority was established by the School District Capital Finance Act, R.S.B.C. 1979, Chapter 376, as amended. Section 2 of the Act states that "the purpose of the Authority is to lend money to boards of school trustees of the school districts created under the School Act to finance their capital expenditures".

The loans made by the Authority to school districts are financed by, and have interest rates and maturity dates identical to, the borrowing of the Authority itself, except as described in note 7.

2. Significant accounting policies

a) Sinking fund investments

- i) Units in Province of British Columbia Pooled Investment Portfolios are carried at the lower of cost of acquisition, adjusted by income attributed to the units, and market value.
- ii) Long-term investments are valued at cost of acquisition adjusted by amortization of discounts and premiums on a constant yield basis over the remaining terms of the investments.

b) Foreign currency translation

Assets and liabilities denominated in foreign currency have been translated to Canadian dollars at the rate prevailing at the balance sheet date.

Unrealized gains and losses arising on foreign currency translation on term debt are not deferred and amortized as they are fully recoverable from the school districts (see note 7).

c) Certification of sinking funds

Investments purchased with the assets from certified sinking funds (see note 6) are recorded at par value. They are shown as a reduction of debt, as the specific purpose of these investments is essentially the same as that of a sinking fund.

3. Loans receivable

Certain loans receivable have early redemption provisions similar to those of the related debentures issued by the Authority.

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

| 4. Term debt | In Thousands | |
|---|--------------------|--------------------|
| | <u>1989</u> | <u>1988</u> |
| Held by: | | |
| Canada Pension Plan Investment Fund 6.90% to 17.51% debentures, due 1989 through 2008 | \$1,384,252 | \$1,346,664 |
| Province of British Columbia Pension Funds 6.93% to 12.75% debentures, due 1990 through 1993 | 63,899 | 63,899 |
| Province of British Columbia 6.79% to 7.45% debentures, due 1989 through 1992 | 36,500 | 36,500 |
| British Columbia School Districts Capital Financing Authority Sinking Fund 6.79% TO 11.00% debentures, due 1990 through 1996 | 26,000 | 26,000 |
| Province of British Columbia Boards, Agencies and Commissions 10.00% debenture, due 1996 | 4,700 | 4,700 |
| General Public 7.91% to 16.875% debentures, due 1990 through 1993 | <u>21,335</u> | <u>21,724</u> |
| | <u>\$1,536,686</u> | <u>\$1,499,487</u> |

Term debt includes U.S. \$9,500,000 (1988: U.S. \$9,500,000). This has been translated to Canadian dollars at the exchange rate prevailing at the balance sheet date.

Debentures issued to the Canada Pension Plan Investment Fund are redeemable in whole or in part before maturity, on six months' notice, at the option of the Minister of Finance of Canada, subject to certain restrictions.

Debentures maturing in the next five fiscal years are as follows:

| In Thousands | |
|--------------|----------|
| 1990 | \$50,819 |
| 1991 | 60,855 |
| 1992 | 51,335 |
| 1993 | 77,007 |
| 1994 | 51,713 |

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

4. Term debt (continued)

Repayment of these debentures will be fully funded by investments or sinking fund assets.

Sinking fund instalments due in the next five fiscal years are as follows:

In Thousands

| | |
|------|----------|
| 1990 | \$34,425 |
| 1991 | 34,425 |
| 1992 | 32,833 |
| 1993 | 32,084 |
| 1994 | 30,616 |

The Province of British Columbia has unconditionally guaranteed the payment of principal and interest on \$1,500,186,400 (1988: \$1,462,986,950) of the debt of the Authority.

5. Sinking funds

In Thousands

| | <u>1989</u> | <u>1988</u> |
|--|------------------|------------------|
| Cash and short-term investments | \$ 4,026 | \$ 3,093 |
| Units in Province of British Columbia | | |
| Pooled Investment Portfolios (at market) | 170,551 | 117,053 |
| Long-term investments | 331,423 | 321,684 |
| (market value \$318,629,787; 1988: \$320,979,051) | | |
| Accrued interest | <u>7,564</u> | <u>7,596</u> |
| | <u>513,564</u> | <u>449,426</u> |
| Less: Excess assets of certified sinking funds payable to school districts | - | 4,656 |
| Accounts payable | <u>49</u> | <u>45</u> |
| | <u>49</u> | <u>4,701</u> |
| | <u>\$513,515</u> | <u>\$444,725</u> |

Long-term investments include \$26,000,000 (1988: \$26,000,000) par value of debentures issued by the Authority.

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

5. Sinking funds (continued)

Sinking fund instalments received from the school districts in respect of the debt to the Authority, together with the investment income earned thereon, are placed in sinking funds maintained by the trustee, the Minister of Finance and Corporate Relations. These funds provide for the retirement of school districts' debt and, in turn, for the retirement of the debt of the Authority at maturity.

Long-term investments consist primarily of bonds of the Government of Canada, various provinces and Crown corporations.

Funds management fees have been charged to the sinking funds of the Authority by the Minister of Finance and Corporate Relations in accordance with Section 39(4) of the Financial Administration Act. These fees are based on the market value of sinking fund assets and are charged on a quarterly basis during the year.

6. Investments

| | Par Value In Thousands | |
|------------------------------------|---------------------------|------------------|
| | <u>1989</u> | <u>1988</u> |
| Province of British Columbia Notes | | |
| 6.79% to 8.33%, maturing | | |
| 1989 through 1993 | \$204,481 | \$194,481 |
| British Columbia Hydro and Power | | |
| Authority Note | | |
| 7.45%, maturing in | | |
| 1989 - 1990 fiscal year | <u>10,000</u> | <u>34,418</u> |
| | <u>\$214,481</u> | <u>\$228,899</u> |

Certain investments have early redemption provisions similar to those of the related debentures issued by the Authority.

Under Section 8.1 of the School District Capital Finance Act, where a security of a school board is held by the Authority, and the Minister of Finance and Corporate Relations of the Province of British Columbia certifies that the assets of the related sinking fund are sufficient to meet all obligations respecting the payment of principal and interest under the security, the board who issued the security shall transfer the assets in the sinking fund to the Authority.

BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

6. Investments (continued)

Upon transfer of the assets, the debt of the board is discharged, subject to conditions contained in the Minister's certificate. Where the Minister certifies that the assets of the sinking fund exceed what is required to meet the obligations of the security, the Authority shall pay the excess to the board who issued the security.

During the year ended March 31, 1989, loans receivable totalling \$10,000,000 (1988: \$89,608,000) were discharged. Investments with a cost of \$9,117,000 (1988: \$82,228,836) and a par value of \$10,000,000 (1988: \$89,608,000) were purchased with the assets from certified sinking funds. These investments have identical interest rates and maturity dates to the loans receivable they are replacing. They will be held until maturity and will be used to finance interest payments and principal repayment of the Authority's corresponding debt.

The Province of British Columbia has unconditionally guaranteed payment of principal and interest on the note issued by British Columbia Hydro and Power Authority.

7. Provision for recovery of exchange loss

In the fiscal year ended March 31, 1982, the Authority issued \$9,500,000 in debentures denominated in United States dollars, and lent the proceeds to school districts in Canadian dollars.

As at March 31, 1989 the debt payable expressed in Canadian dollars exceeds the corresponding loan receivable by \$232,640 (1988: \$621,190). Under the terms of the School District Capital Finance Act, Section 3(1), all expenses incurred by the Authority are recoverable from the school districts. Accordingly, provision has been made for the recovery of the exchange loss from the school districts. This provision is included in loans receivable.

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

Thorne Ernst & Whinney

Chartered Accountants

Third Floor, Royal Bank Building
707 Fort Street
Victoria, British Columbia, Canada
V8W 3G3

(604) 382-8251

AUDITORS' REPORT

To the Shareholder of
British Columbia Steamship Company (1975) Ltd.

We have examined the consolidated balance sheet of British Columbia Steamship Company (1975) Ltd. as at December 31, 1988 and the consolidated statements of income, contributed surplus, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles set out in the Summary of Significant Accounting Policies applied on a basis consistent with that of the preceding year.

Thorne Ernst & Whinney

March 20, 1989

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

CONSOLIDATED BALANCE SHEET

| ASSETS | December 31 | |
|---|---------------------|---------------------|
| | 1988 | 1987 |
| CURRENT ASSETS | | |
| Cash and investment deposits | \$ 482,147 | \$ 111,098 |
| Accounts receivable | 109,368 | 112,337 |
| Current portion of mortgage receivable (note 1) | 2,000,000 | - |
| Inventories | - | 240,977 |
| Prepaid expenses | - | 84,207 |
| | <u>2,591,515</u> | <u>548,619</u> |
| MORTGAGE RECEIVABLE (note 1) | <u>2,000,000</u> | <u>-</u> |
| INVESTMENT IN BRITISH COLUMBIA STENA LINE LTD., at cost (note 2) | <u>10</u> | <u>-</u> |
| PROPERTY, PLANT AND EQUIPMENT (note 3) | 678,393 | 22,697,225 |
| Accumulated depreciation | <u>212,870</u> | <u>5,908,776</u> |
| | <u>465,523</u> | <u>16,788,449</u> |
| | <u>\$ 5,057,048</u> | <u>\$17,337,068</u> |
| LIABILITIES, CAPITAL STOCK, CONTRIBUTED SURPLUS AND DEFICIT | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 504,836 | \$ 894,085 |
| Demand note and accrued interest payable (note 4) | 8,359,797 | 7,193,566 |
| Current portion of obligation under capital lease (note 5) | <u>141,463</u> | <u>-</u> |
| | <u>9,006,096</u> | <u>8,087,651</u> |
| LONG-TERM LIABILITIES | | |
| Obligation under capital lease (note 5) | <u>386,018</u> | <u>-</u> |
| Total liabilities | <u>9,392,114</u> | <u>8,087,651</u> |
| CAPITAL STOCK, CONTRIBUTED SURPLUS AND DEFICIT | | |
| Capital stock | | |
| 5 Common shares (note 6) | 5 | 5 |
| Contributed surplus | - | 17,593,546 |
| Deficit | <u>(4,335,071)</u> | <u>(8,344,134)</u> |
| | <u>(4,335,066)</u> | <u>9,249,417</u> |
| | <u>\$ 5,057,048</u> | <u>\$17,337,068</u> |

APPROVED BY THE BOARD:

 Director

 Director

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

CONSOLIDATED STATEMENT OF INCOME

| | Year ended December 31 | |
|---|------------------------|-------------------|
| | 1988 | 1987 |
| Revenue | | |
| Passengers | \$ 4,579,127 | \$ 4,919,556 |
| On-board services (Schedule) | 4,471,410 | 4,406,078 |
| Vehicles | 1,384,824 | 1,350,683 |
| Other | 162,138 | 180,826 |
| | <u>10,597,499</u> | <u>10,857,143</u> |
| Operating expenses | | |
| On-board services (Schedule) | | |
| Cost of sales | 1,102,340 | 1,061,583 |
| Operating expenses | 1,712,788 | 1,683,741 |
| | <u>2,815,128</u> | <u>2,745,324</u> |
| Ship operating expenses | | |
| Deck | 954,647 | 896,963 |
| Engine room | 1,104,294 | 1,146,309 |
| Ship general | 967,291 | 895,708 |
| Fuel | 1,154,062 | 1,235,748 |
| Refit | 1,263,785 | 901,391 |
| Seattle terminal | 621,579 | 678,383 |
| Victoria terminals | 568,192 | 522,657 |
| | <u>9,448,978</u> | <u>9,022,483</u> |
| Income before non-operating expenses | <u>1,148,521</u> | <u>1,834,660</u> |
| Non-operating expenses | | |
| Administration | 814,179 | 704,754 |
| Selling | 866,080 | 1,136,153 |
| Commissions | 112,278 | 116,313 |
| Interest | 772,436 | 465,423 |
| Depreciation, net of amortization of contributed surplus | 415,628 | 158,161 |
| | <u>2,980,601</u> | <u>2,580,804</u> |
| LOSS FOR THE YEAR | <u>\$ 1,832,080</u> | <u>\$ 746,144</u> |

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS

| | Year ended December 31 | |
|--|------------------------|-------------------|
| | 1988 | 1987 |
| Contributed surplus at beginning of year | \$17,593,546 | \$ 5,684,094 |
| Grant from the shareholder, the Province of British Columbia | - | 13,200,000 |
| Deduct amortization | (11,752,403) | (1,290,548) |
| | <u>5,841,143</u> | <u>17,593,546</u> |
| Transferred to deficit | <u>5,841,143</u> | <u>-</u> |
| CONTRIBUTED SURPLUS AT END OF YEAR | \$ - | \$17,593,546 |

CONSOLIDATED STATEMENT OF DEFICIT

| | Year ended December 31 | |
|--|------------------------|-------------------|
| | 1988 | 1987 |
| Deficit at beginning of year | \$ 8,344,134 | \$ 9,533,900 |
| Loss for the year | <u>1,832,080</u> | <u>746,144</u> |
| | <u>10,176,214</u> | <u>10,280,044</u> |
| Deduct | | |
| Balance transferred from contributed surplus | 5,841,143 | - |
| Grant from the shareholder, the Province of British Columbia | - | 1,935,910 |
| | <u>5,841,143</u> | <u>1,935,910</u> |
| DEFICIT AT END OF YEAR | \$ 4,335,071 | \$ 8,344,134 |

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

| | Year ended December 31 | |
|--|------------------------|---------------------|
| | 1988 | 1987 |
| CASH PROVIDED BY (USED FOR): | | |
| OPERATIONS | | |
| Loss for the year | \$(1,832,080) | \$ (746,144) |
| Depreciation, which does not involve cash | 415,628 | 158,161 |
| Grant funded expenses | - | (14,090) |
| Changes in non-cash operating working capital | | |
| Accounts receivable | 2,969 | (58,054) |
| Inventories | 240,977 | (150,603) |
| Prepaid expenses | 84,207 | (27,218) |
| Accounts payable and accrued liabilities | (389,249) | 588,410 |
| Vessel lease payable | - | (1,935,910) |
| | <u>(1,477,548)</u> | <u>(2,185,448)</u> |
| FINANCING | | |
| Increase in demand note and accrued interest payable | 1,166,231 | 1,180,891 |
| Capital lease obligation | 527,481 | - |
| | <u>1,693,712</u> | <u>1,180,891</u> |
| INVESTMENTS | | |
| Investment in British Columbia Stena Line Ltd. | (10) | - |
| Mortgage receivable | (4,000,000) | - |
| Purchase of property, plant and equipment | (1,122,227) | (14,160,211) |
| Proceeds from sale of property, plant and equipment | 5,277,122 | - |
| | <u>154,885</u> | <u>(14,160,211)</u> |
| OTHER | | |
| Grant from the shareholder, the Province of British Columbia | - | 15,150,000 |
| INCREASE (DECREASE) IN CASH POSITION | 371,049 | (14,768) |
| Cash at beginning of year | <u>111,098</u> | <u>125,866</u> |
| CASH AND INVESTMENT DEPOSITS AT END OF YEAR | <u>\$ 482,147</u> | <u>\$ 111,098</u> |

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1988

GENERAL

The company is incorporated under the Canada Business Corporations Act and its principal business activity was the provision of passenger and car ferry service between Seattle, Washington, and Victoria, British Columbia. During 1988, the operating season started on May 7 (1987 - May 9) and finished on October 2 (1987 - October 4).

The wholly-owned subsidiary, British Columbia Steamship Company Inc., is a U.S.-incorporated company which exists for liquor licensing purposes in Washington State waters.

As a result of agreements reached with British Columbia Stena Line Ltd., in future years British Columbia Stena Line Ltd. will manage gaming concessions for the company and the company will receive thirty percent of the net gaming revenue.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements are prepared in accordance with generally accepted accounting principles except that contributed surplus recorded on the receipt of grants from the shareholder, the Province of British Columbia, used to fund asset acquisitions is amortized to earnings at the same rate as the related assets are depreciated or written down in value.

Principles of consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, British Columbia Steamship Company Inc.

Translation of foreign currency

- (i) Monetary assets and liabilities are translated into Canadian dollars at rates of exchange in effect at the year-end.
- (ii) Revenues and expenses are translated into Canadian dollars at the average rate of exchange for the year with the exception of depreciation, which reflects historic rates used for the related assets.

1. MORTGAGE RECEIVABLE

In September 1988, the company entered into an agreement to sell all operating assets, with the exception of gaming equipment under capital lease, to British Columbia Stena Line Ltd. for \$6,000,000. Under the terms of the agreement, \$2,000,000 was payable on closing while the balance, secured by a non-interest bearing debenture and ships' mortgage, is payable in two equal instalments of \$2,000,000 on November 4, 1989 and 1990.

As a result of investigations and inspections carried out pursuant to provisions of the September 1988 agreement respecting condition of the assets, the purchase price was adjusted by \$400,000. This adjustment is to be deducted by British Columbia Stena Line Ltd. from the company's share of future net gaming revenue.

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. INVESTMENT IN BRITISH COLUMBIA STENA LINE LTD.

The company is the registered owner of 10 Class C non-voting shares of British Columbia Stena Line Ltd., representing 100% of the issued and outstanding Class C non-voting shares. The holders of Class C non-voting shares have the right to nominate two directors to the Board of Directors of British Columbia Stena Line Ltd.

3. PROPERTY, PLANT AND EQUIPMENT

| | 1988 | | | 1987 |
|-------------------------------|-------------------|---------------------------------|-------------------|---------------------|
| | <u>Cost</u> | <u>Accumulated depreciation</u> | <u>Net</u> | <u>Net</u> |
| Vessels | | | | |
| Princess Marguerite | \$ - | \$ - | \$ - | \$ 3,434,674 |
| Vancouver Island Princess | - | - | - | 11,124,488 |
| Automotive equipment | - | - | - | 6,235 |
| Furniture and fixtures | | | | |
| on shore | - | - | - | 8,212 |
| Radio equipment | - | - | - | 8,374 |
| Vessel equipment | - | - | - | 244,086 |
| Leasehold improvements | | | | |
| Victoria - Belleville | - | - | - | 12,354 |
| - Ogden Point | - | - | - | 1,530,975 |
| Seattle | - | - | - | 419,051 |
| Equipment under capital lease | <u>678,393</u> | <u>212,870</u> | <u>465,523</u> | <u>-</u> |
| | <u>\$ 678,393</u> | <u>\$ 212,870</u> | <u>\$ 465,523</u> | <u>\$16,788,449</u> |

4. DEMAND NOTE AND ACCRUED INTEREST PAYABLE

| | <u>1988</u> | <u>1987</u> |
|------------------|---------------------|---------------------|
| Demand note | \$ 8,278,309 | \$ 7,102,607 |
| Accrued interest | <u>81,488</u> | <u>90,959</u> |
| | <u>\$ 8,359,797</u> | <u>\$ 7,193,566</u> |

The demand note is payable to the shareholder, the Province of British Columbia, at an interest rate to be reset annually at November 30. The current rate is 11.3%.

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. OBLIGATION UNDER CAPITAL LEASE

The company leases gaming equipment under leases expiring in 1990 and 1991. This equipment may be purchased during the term of the lease but no later than at the end of the lease. The cost less estimated salvage value of leased equipment is being amortized on a straight-line basis over the estimated life of the leased assets. The annual minimum lease payments during the next three years are as follows:

| | |
|------------------------------|------------------|
| 1989 | \$196,129 |
| 1990 | 207,087 |
| 1991 | <u>222,664</u> |
| | 625,880 |
| Amount representing interest | <u>98,399</u> |
| | 527,481 |
| Less current portion | <u>141,463</u> |
| | <u>\$386,018</u> |

As a result of agreements reached with British Columbia Stena Line Ltd., British Columbia Stena Line Ltd. is required to make the lease payments on behalf of the company.

6. CAPITAL STOCK

The company is limited by its articles to issuing a maximum of 55,000 common shares.

7. CONTINGENT LIABILITIES

- (a) As part of its agreement to purchase the assets of the company, British Columbia Stena Line Ltd. has assumed the company's lease obligation at Ogden Point in Victoria, which contains the right to increase the rent effective April 30, 1990.

The company has agreed to indemnify British Columbia Stena Line Ltd. for any basic rent liability related to Ogden Point in excess of \$80,087 per year for the period November 10, 1988 to November 9, 1993.

- (b) British Columbia Stena Line Ltd. has also assumed the company's obligations under two leases related to the Belleville Street pier and terminal which expire in 1991 and 1994. If these leases are terminated while British Columbia Stena Line Ltd. is carrying on a cruise and ferry service business, the company has agreed to indemnify it for various costs including relocation and incremental rent.

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

SCHEDULE OF ON-BOARD SERVICES

| | Year ended December 31 | |
|-------------------------|------------------------|---------------------|
| | 1988 | 1987 |
| Catering services | | |
| Revenue | \$ 1,523,682 | \$ 1,559,640 |
| Cost of sales | 410,318 | 401,759 |
| Operating expenses | 928,162 | 869,263 |
| Income | <u>185,202</u> | <u>288,618</u> |
| Lounges | | |
| Revenue | 590,462 | 593,685 |
| Cost of sales | 81,367 | 71,909 |
| Operating expenses | 298,215 | 297,944 |
| Income | <u>210,880</u> | <u>223,832</u> |
| Newsstands | | |
| Revenue | 473,547 | 478,428 |
| Cost of sales | 266,302 | 256,204 |
| Operating expenses | 69,156 | 70,579 |
| Income | <u>138,089</u> | <u>151,645</u> |
| Duty-free shops | | |
| Revenue | 664,677 | 655,650 |
| Cost of sales | 344,353 | 331,711 |
| Operating expenses | 107,356 | 97,281 |
| Income | <u>212,968</u> | <u>226,658</u> |
| Dayrooms | | |
| Revenue | 92,448 | 97,990 |
| Operating expenses | 52,643 | 49,669 |
| Income | <u>39,805</u> | <u>48,321</u> |
| Casinos | | |
| Revenue | 1,126,594 | 1,020,685 |
| Operating expenses | 257,256 | 299,005 |
| Income | <u>869,338</u> | <u>721,680</u> |
| TOTAL ON-BOARD SERVICES | | |
| Revenue | 4,471,410 | 4,406,078 |
| Cost of sales | 1,102,340 | 1,061,583 |
| Operating expenses | <u>1,712,788</u> | <u>1,683,741</u> |
| Income | <u>\$ 1,656,282</u> | <u>\$ 1,660,754</u> |

BRITISH COLUMBIA SYSTEMS CORPORATION**Thorne Ernst & Whinney**

Chartered Accountants

Third Floor, Royal Bank Building
707 Fort Street
Victoria, British Columbia, Canada
V8W 3G3

(604) 382-8251

AUDITORS' REPORT

The Honourable Cliff Michael
Minister of Government Management Services
Province of British Columbia

We have examined the balance sheet of British Columbia Systems Corporation as at March 31, 1989 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of depreciating its computer processors, as explained in note 6 to the financial statements, on a basis consistent with that of the preceding year.

Thorne, Ernst, Whinney

May 26, 1989


BRITISH COLUMBIA SYSTEMS CORPORATION

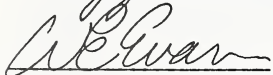
BALANCE SHEET

(expressed in thousands)

| | March 31 | |
|---|------------------|------------------|
| | 1989 | 1988 |
| | (note 6) | |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 916 | \$ 456 |
| Accounts receivable | 10,523 | 5,245 |
| Prepaid expenses | 1,276 | 482 |
| | <u>12,715</u> | <u>6,183</u> |
| FIXED ASSETS (notes 1 and 7) | | |
| Land | 4,600 | 6,917 |
| Building | 27,689 | 31,659 |
| Computer and ancillary equipment | 52,271 | 37,726 |
| Furniture and fixtures | 1,957 | 1,938 |
| Leasehold improvements | 188 | 174 |
| | <u>86,705</u> | <u>78,414</u> |
| Accumulated depreciation and amortization | <u>35,072</u> | <u>23,707</u> |
| | <u>51,633</u> | <u>54,707</u> |
| OTHER ASSETS | | |
| Deferred bond discount and issue costs | <u>107</u> | <u>151</u> |
| | <u>\$ 64,455</u> | <u>\$ 61,041</u> |

APPROVED BY THE BOARD:


 _____ Director


 _____ Director

| LIABILITIES AND RETAINED EARNINGS | March 31 | |
|--|------------------|------------------|
| | 1989 | 1988 (note 6) |
| CURRENT LIABILITIES | | |
| Notes payable, Province of British Columbia (note 3) | \$ 3,990 | \$ 8,989 |
| Accounts payable and accrued liabilities | 13,027 | 6,558 |
| Deferred revenue | 345 | 553 |
| Current portion of long-term debt (note 4) | | |
| Lease capitalization | 288 | 451 |
| Other | 929 | 929 |
| Contractual liability for computer and ancillary equipment | 3,791 | 547 |
| | <u>22,370</u> | <u>18,027</u> |
| LONG-TERM DEBT (note 4) | | |
| Lease capitalization | - | 218 |
| Other | 35,112 | 36,593 |
| | <u>35,112</u> | <u>36,811</u> |
| RETAINED EARNINGS (note 10) | <u>6,973</u> | <u>6,203</u> |
| | <u>\$ 64,455</u> | <u>\$ 61,041</u> |

Commitments (note 11)
Contingency (note 13)

BRITISH COLUMBIA SYSTEMS CORPORATION

STATEMENT OF INCOME AND RETAINED EARNINGS
(expressed in thousands)

| | Year ended March 31 | |
|--|---------------------|-----------------|
| | 1989 | 1988 |
| | (note 6) | |
| Revenue | | |
| Telecommunications (note 5) | \$ 50,535 | \$ 8,118 |
| Processing | 32,305 | 28,284 |
| Labour | 20,378 | 17,781 |
| Interest and other | 969 | 721 |
| | <u>104,187</u> | <u>54,904</u> |
| Expenses (note 5) | | |
| Employee | 27,372 | 23,011 |
| Facilities management fees (note 8) | 3,820 | 3,781 |
| Administrative and general | 5,680 | 4,703 |
| Equipment rental and maintenance | 47,556 | 7,550 |
| Depreciation and amortization (note 6) | 11,494 | 10,130 |
| Interest (note 4) | 969 | 1,427 |
| | <u>96,891</u> | <u>50,602</u> |
| Income before net building operating costs and contribution from the Province of British Columbia | 7,296 | 4,302 |
| Net building operating costs | (3,911) | (4,345) |
| Contribution from the Province of British Columbia (note 9) | <u>3,800</u> | <u>3,800</u> |
| Income before extraordinary item | 7,185 | 3,757 |
| Extraordinary item | | |
| Write-down of land, building and building equipment to appraised value (note 7) | <u>(6,415)</u> | <u>-</u> |
| NET INCOME (note 10) | 770 | 3,757 |
| Retained earnings at beginning of year, as restated (note 6) | <u>6,203</u> | <u>2,446</u> |
| RETAINED EARNINGS AT END OF YEAR | <u>\$ 6,973</u> | <u>\$ 6,203</u> |

BRITISH COLUMBIA SYSTEMS CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION
(expressed in thousands)

| | Year ended March 31 | |
|--|---------------------|----------------|
| | 1989 | 1988 |
| | (note 6) | |
| CASH PROVIDED BY (USED FOR): | | |
| OPERATIONS | | |
| Net income | \$ 770 | \$ 3,757 |
| Items not involving cash | | |
| Depreciation and amortization | 12,468 | 10,936 |
| Deferred bond discount and issue costs | 44 | 45 |
| Gain on disposal of fixed assets | (354) | (193) |
| Write-down of land, building and building equipment | 6,415 | - |
| Change in non-cash operating working capital | 187 | (810) |
| | <u>19,530</u> | <u>13,735</u> |
| FINANCING | | |
| Long-term debt reductions | (1,862) | (2,461) |
| Short-term borrowings, net of repayments | (4,999) | 4,517 |
| Change in contractual liability for computer and ancillary equipment | 3,244 | (9,361) |
| | <u>(3,617)</u> | <u>(7,305)</u> |
| INVESTMENTS | | |
| Additions to fixed assets | (16,091) | (7,028) |
| Proceeds from disposal of fixed assets | 638 | 820 |
| | <u>(15,453)</u> | <u>(6,208)</u> |
| INCREASE IN CASH POSITION | 460 | 222 |
| Cash at beginning of year | <u>456</u> | <u>234</u> |
| CASH AT END OF YEAR | <u>\$ 916</u> | <u>\$ 456</u> |

BRITISH COLUMBIA SYSTEMS CORPORATION**NOTES TO FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 1989****GENERAL**

British Columbia Systems Corporation, incorporated as a Crown Corporation of the Province of British Columbia under the System Act R.S.B.C. 1979, has a mandate to advance the effective and efficient use of information systems in the British Columbia public sector. As a service organization within government, British Columbia Systems Corporation provides shared computer processing, data and voice communication and selected professional services on a competitive basis. In 1988/89, the Corporation received 90% of its revenues from Provincial Government Ministries, with the balance from other government entities.

On October 23, 1987, the Government of British Columbia announced plans to offer all or part of the Corporation for sale to the private sector. On November 21, 1988, the Government decided not to proceed with the privatization of British Columbia Systems Corporation, and any attendant costs are reflected in the current year.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESStatement presentation

As prescribed by Section 9(6) of the System Act, the financial statements of the Corporation are prepared in accordance with generally accepted accounting principles.

Accrual accounting

The accrual method of accounting is used in the preparation of these financial statements. Accordingly, revenues are recorded in the period they are earned and expenditures are recorded in the period they are incurred.

Fixed assets

The Corporation leases some of its computer equipment. Certain of these leases, however, transfer the benefits and risks incident to ownership to the Corporation. In such cases, as more fully described in notes 1 and 4, the leases have been capitalized.

Fixed assets are recorded at cost with the exception of the land, building and building equipment, which are recorded at appraised value plus subsequent additions at cost.

BRITISH COLUMBIA SYSTEMS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets (Continued)

Fixed assets are depreciated and amortized over their estimated useful lives as follows:

| | |
|---|--|
| Building | Over forty years on a straight-line basis |
| Building equipment | Over twenty years on a straight-line basis |
| Computer processors | Over terms up to four years on a straight-line basis (note 6) |
| Other computer and ancillary equipment | Over terms up to three years on a straight-line basis |
| Furniture and fixtures | Over ten years on a straight-line basis |
| Leasehold improvements | Over terms of leases on a straight-line basis |

Revenue recognition

Revenue from resource billing is recognized as the services are performed. Revenue from fixed price contracts is recognized over the terms of the respective contracts.

Corporate income taxes

The Corporation is exempt from Federal and Provincial corporate income taxes.

Sinking funds

Payments made to sinking funds with respect to retirement provisions of the sinking fund bonds and debentures are netted against long-term debt until such time as the bonds or debentures are redeemed and cancelled. Interest earned on the sinking funds is treated as interest income with a corresponding increase in the sinking funds.

Amortization of other assets

Discount and issue costs relating to the Province of British Columbia bond Series BCSC-M are deferred and amortized on a straight-line basis over the term of the bond.

1. FIXED ASSETS

- (a) During the year, the Corporation acquired fixed assets totalling \$16,091,000 (computer and ancillary equipment - \$15,915,000). The Corporation also disposed of fixed assets with a gross book value of \$1,410,000 (computer and ancillary equipment - \$1,395,000).
- (b) Included in fixed assets is computer equipment arising from the capitalization of certain leases at a cost of \$637,000 (1987/88 - \$1,254,000). The related accumulated depreciation amounts to \$444,000 (1987/88 - \$778,000).

BRITISH COLUMBIA SYSTEMS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

2. BORROWING AUTHORITY

Pursuant to Section 8(6) of the System Act, the Corporation may be advanced or borrow up to \$65,000,000. In computing borrowings, the aggregate net rentals payable by the Corporation under leases of personal property for a term exceeding one year shall be excluded.

3. NOTES PAYABLE, PROVINCE OF BRITISH COLUMBIA

These consist of short-term notes bearing interest at rates ranging from 11.99% to 12.26% and maturing at various dates to July 31, 1989.

4. LONG-TERM DEBT

(a) Lease capitalization

The minimum annual contractual obligations with respect to capitalized leases are as follows:

| | |
|--|--------------------|
| 1989/90 | \$ 305,314 |
| Less imputed interest at an average annual rate of 13.75% | <u>17,344</u> |
| Capitalized lease obligations | 287,970 |
| Less current portion | <u>287,970</u> |
| Long-term portion | <u><u>\$ -</u></u> |

BRITISH COLUMBIA SYSTEMS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT (Continued)

(b) Other

| | <u>Interest rate</u> | <u>Maturity date</u> | <u>Amount</u> |
|---|--------------------------|--------------------------|---------------------|
| Canada Pension Plan debentures | | | |
| Series 1 | 15.69% | June 2001 | \$14,007,000 |
| Series 2 | 16.10% | March 2002 | 12,500,000 |
| Province of British Columbia bond | | | |
| Series BCSC-M | 9.00% | August 1991 | <u>16,000,000</u> |
| | | | 42,507,000 |
| Less sinking funds on deposit with the Minister of Finance for British Columbia (1987/88 - \$4,985,000) | | | <u>6,466,000</u> |
| | | | 36,041,000 |
| Less current portion | | | <u>929,000</u> |
| Long-term portion | | | <u>\$35,112,000</u> |

Mandatory sinking fund requirements in respect of the above debt for each of the next five years and thereafter are as follows:

| | <u>CPP S-1 & 2</u> | <u>Bond BCSC-M</u> | <u>Total</u> |
|------------|------------------------|---------------------|---------------------|
| 1989/90 | \$ 579,000 | \$ 350,000 | \$ 929,000 |
| 1990/91 | 579,000 | 350,000 | 929,000 |
| 1991/92 | 579,000 | 14,522,000 | 15,101,000 |
| 1992/93 | 579,000 | - | 579,000 |
| 1993/94 | 579,000 | - | 579,000 |
| Thereafter | <u>17,924,000</u> | <u>-</u> | <u>17,924,000</u> |
| | <u>\$20,819,000</u> | <u>\$15,222,000</u> | <u>\$36,041,000</u> |

The Province of British Columbia has guaranteed the payment of principal and interest on all long-term debt, with the exception of capitalized leases as in (a) above, issued by the Corporation.

(c) Interest expense

In 1988/89 the Corporation incurred interest expense of \$5,759,000 on long-term debt and \$491,000 on short-term debt. Of these amounts, \$5,281,000 was allocated to building costs and \$969,000 to the financing of the current operations.

BRITISH COLUMBIA SYSTEMS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

5. TELECOMMUNICATIONS

During the year the Corporation had the responsibility for the coordination and management of telecommunication services under a contract with the Provincial Government. Included in the operations for the year ended March 31, 1989 are revenues of \$39 million and expenses which comprise \$37 million in equipment rental and maintenance and \$2 million in employee and administrative expenses.

Subsequent to the year end the Corporation entered into an agreement with the Provincial Government by which the Corporation acquired the title to certain telecommunication equipment owned by the Provincial Government and assumed all of the obligations with respect to such equipment.

6. CHANGE IN ACCOUNTING POLICY

In 1988/89 the Corporation retroactively changed its method of depreciating its computer processors from the annuity method to the straight-line method.

The financial statements for the year ended March 31, 1989 have been prepared on the new basis and comparative figures for the year ended March 31, 1988 have been restated to reflect the change. This change decreased earnings in the current year by \$212,000 and 1987/88 by \$474,000 and decreased earnings prior to 1987/88 by \$131,000.

7. EXTRAORDINARY ITEM

Effective March 31, 1989, the Corporation decided to write down the carrying value of the land, building and building equipment to appraised value (from \$33,115,000 to \$26,700,000). The appraisal was prepared by B. McConnell & Associates Ltd. on January 18, 1989. The appraised value is based on a combination of the income capitalization and the cost summation methods. This decision resulted in a reduction of \$6,415,000 in the carrying value of these assets and in net income for the current year.

8. FACILITIES MANAGEMENT CONTRACT

On October 1, 1988, the Corporation agreed to a one-year extension of the Facilities Management Contract. Negotiations on a further extension of the contract term after September 30, 1989 are currently in process.

9. CONTRIBUTION FROM THE PROVINCE OF BRITISH COLUMBIA

In 1987/88, the Province of British Columbia agreed to provide assistance of \$3.8 million per annum toward the costs of the building incurred by the Corporation. This assistance will terminate March 31, 2002.

BRITISH COLUMBIA SYSTEMS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

10. NET INCOME

Pursuant to Section 8(5) of the System Act, the Lieutenant-Governor in Council may, each fiscal year, on the recommendation of the Minister of Finance, direct the transfer to the Government of all or part of the net income for the current year or for previous years to the extent not previously so transferred.

11. LEASE COMMITMENTS

The Corporation leases some of its premises and computer equipment for periods of up to five years.

The minimum annual contractual obligations of non-cancellable leases are as follows (excluding amounts relating to capitalized leases):

| | |
|---------|-----------|
| 1989/90 | \$202,000 |
| 1990/91 | 165,000 |
| 1991/92 | 33,000 |

12. PENSION AND SUPERANNUATION PLANS

Until the Corporation establishes a pension or superannuation plan, the Public Service Superannuation Act applies to the Corporation and its officers and employees. The Corporation is obliged to contribute to the Public Service Superannuation Fund.

13. CONTINGENCY

- (a) The Corporation is obligated under the Facilities Management Contract (note 8) to cover certain employee termination costs should the contract not be renewed. The Corporation is unable to determine the extent of the liability, if any, which may result from this obligation. Should a liability arise in the future, the expense will be charged to income in the period in which the settlement occurs.
- (b) The current year includes a settlement of claims by the Corporation in respect of management remuneration matters pertaining to prior years.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the method of presentation adopted in the current fiscal year.

BRITISH COLUMBIA TRANSIT

Thorne Ernst & Whinney

Chartered Accountants

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File Ref.

AUDITORS' REPORT

To the Members of the Board of Directors of
British Columbia Transit

We have examined the balance sheet of British Columbia Transit as at March 31, 1989 and the statements of revenue and expenditures and accumulated net revenue, contributed surplus, changes in financial position and changes in regional transit funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of British Columbia Transit as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.



May 29, 1989

BRITISH COLUMBIA TRANSIT
BALANCE SHEET

PUBLIC ACCOUNTS 1988/89

F 197

March 31
1989 1988
(\$000) (\$000)

LIABILITIES, EQUITY AND FUND BALANCES

CURRENT LIABILITIES

| | | |
|--|-------------|-------------|
| Cheques issued in excess of funds on deposit | \$ 1,324 | \$ 359 |
| Accounts payable and accrued liabilities | 71,158 | 69,347 |
| Payable to contractors | 4,177 | 2,823 |
| Notes payable (note 6) | 167,445 | 114,925 |
| Current portion of long-term debt | 16,419 | 16,419 |
| Current obligations under capital leases | 5,753 | 5,651 |
| | 266,276 | 209,524 |
| LONG-TERM DEBT (note 7) | 785,473 | 784,679 |
| OBLIGATIONS UNDER CAPITAL LEASES (note 8) | 215,838 | 221,105 |
| EQUITY | | |
| Contributed Surplus | 204,935 | 209,387 |
| Accumulated net revenue | 2,604 | 2,552 |
| | 207,539 | 211,939 |
| | \$1,475,126 | \$1,427,247 |

CONTINGENT LIABILITIES (note 9)

| | | |
|-----------------------|-----------|-----------|
| Payable to BC Transit | \$ 19,900 | \$ 20,312 |
| Fund Balances | 16,165 | 3,564 |
| | \$ 36,065 | \$ 23,876 |

March 31
1989 1988
(\$000) (\$000)

ASSETS

CURRENT ASSETS

| | | |
|--|-------------|-------------|
| Accounts receivable | \$ 13,226 | \$ 9,650 |
| Province of British Columbia | 21,865 | 22,336 |
| Municipalities | 3,090 | 4,428 |
| Sundry | 9,149 | 700 |
| Mortgage receivable | 3,711 | 9,494 |
| Parts inventory | 51,041 | 3,938 |
| Prepaid expenditures | | 50,546 |
| MORTGAGE RECEIVABLE | 557 | - |
| LONG-TERM DEBT SINKING FUND | 52,889 | 32,189 |
| FIXED ASSETS | | |
| Land, buildings and equipment (note 3) | 236,159 | 239,762 |
| SkyTrain (notes 4 and 9) | 958,820 | 981,488 |
| Capital projects in progress (note 5) | 175,660 | 123,262 |
| | 1,370,639 | 1,344,512 |
| | \$1,475,126 | \$1,427,247 |

REGIONAL TRANSIT FUNDS

| | | |
|--|-----------|-----------|
| Cash and term deposits | \$ 30,348 | \$ 19,156 |
| Accounts receivable and accrued interest | 5,717 | 4,720 |
| | \$ 36,065 | \$ 23,876 |

APPROVED BY THE BOARD:

[Signature] Director
[Signature] Director

BRITISH COLUMBIA TRANSIT

STATEMENT OF REVENUE AND EXPENDITURES AND ACCUMULATED NET REVENUE

| | Year ended March 31 | |
|--|---------------------|------------|
| | 1989 | 1988 |
| | ----- | ----- |
| | (\$000) | (\$000) |
| Revenue | | |
| Operations | \$ 115,340 | \$ 105,596 |
| Interest | 4,281 | 2,284 |
| | ----- | ----- |
| | 119,621 | 107,880 |
| | ----- | ----- |
| Expenditures | | |
| Operations and maintenance | 191,636 | 185,687 |
| Administration | 31,068 | 25,292 |
| Interest on long-term debt | 90,084 | 80,615 |
| Interest on obligations under capital leases | 22,372 | 20,929 |
| Other interest | 1,096 | 9,822 |
| Depreciation and amortization | 29,548 | 24,829 |
| Property leases and taxes | 5,588 | 5,553 |
| | ----- | ----- |
| | 371,392 | 352,727 |
| | ----- | ----- |
| | (251,771) | (244,847) |
| | ----- | ----- |
| Recoveries | | |
| Contributions from the Province of British Columbia | 131,968 | 117,531 |
| Contributions from municipalities | 77,976 | 82,578 |
| Provincial grant - debt servicing assistance | 38,927 | 41,690 |
| Amortization of contributed surplus to offset depreciation charged on contributed assets | 2,900 | 3,048 |
| | ----- | ----- |
| | 251,771 | 244,847 |
| | ----- | ----- |
| NET REVENUE FROM TRANSIT OPERATIONS | - | - |
| Other | | |
| Realization of contributed surplus on disposal of contributed assets | 1,552 | 1,955 |
| Loss on disposal of fixed assets | (579) | (1,513) |
| Loss on disposal of inventory | (921) | (150) |
| | ----- | ----- |
| | 52 | 292 |
| | ----- | ----- |
| NET REVENUE | 52 | 292 |
| Accumulated net revenue at beginning of year | 2,552 | 2,260 |
| | ----- | ----- |
| ACCUMULATED NET REVENUE AT END OF YEAR | \$ 2,604 | \$ 2,552 |
| | ===== | ===== |

BRITISH COLUMBIA TRANSIT

STATEMENT OF CONTRIBUTED SURPLUS

| | Year ended March 31 | |
|--|---------------------|-----------|
| | 1989 | 1988 |
| | ----- | ----- |
| | (\$000) | (\$000) |
| APPRAISAL INCREASE CREDITS | | |
| Balance at beginning of year | \$190,327 | \$196,724 |
| Amount transferred to statement of revenue and expenditures and accumulated net revenue to offset depreciation charged on contributed assets | (2,900) | (3,048) |
| Reduction on disposition of contributed assets | (1,557) | (5,299) |
| Reappraisal of revenue vehicles | - | 1,950 |
| | ----- | ----- |
| | 185,870 | 190,327 |
| OTHER CONTRIBUTED SURPLUS | | |
| Balance at beginning of year | 19,060 | 15,720 |
| Increase on disposition of contributed assets | 5 | 3,340 |
| | ----- | ----- |
| | 19,065 | 19,060 |
| | ----- | ----- |
| BALANCE AT END OF YEAR | \$204,935 | \$209,387 |
| | ===== | ===== |

BRITISH COLUMBIA TRANSIT

STATEMENT OF CHANGES IN FINANCIAL POSITION

| | Year ended March 31 | |
|--|---------------------|-----------|
| | 1989 | 1988 |
| | ----- | ----- |
| | (\$000) | (\$000) |
| CASH PROVIDED BY (USED FOR): | | |
| OPERATIONS | | |
| Net revenue | \$ 52 | \$ 292 |
| Items not involving cash | | |
| Depreciation and amortization | 29,548 | 24,829 |
| Amortization of bond discount | 794 | 686 |
| Amortization of contributed surplus to offset depreciation charged on contributed assets | (2,900) | (3,048) |
| Realization of contributed surplus on disposal of contributed assets | (1,552) | (1,955) |
| Loss on disposal of assets | 1,500 | 1,513 |
| | ----- | ----- |
| | 27,442 | 22,317 |
| Changes in non-cash operating working capital | | |
| Accounts receivable | (1,767) | 757 |
| Parts inventory | (576) | 1,055 |
| Prepaid expenditures | 227 | (789) |
| Accounts payable and accrued liabilities | 3,165 | 11,214 |
| | ----- | ----- |
| | 28,491 | 34,554 |
| FINANCING | | |
| Proceeds on capital leases of vehicles and equipment | - | 48,916 |
| Principal repayments on obligations under capital leases | (5,165) | (4,921) |
| Increase (decrease) in | | |
| Notes payable | 52,520 | (263,103) |
| Long-term debt | - | 277,058 |
| Long-term debt sinking fund | (20,700) | (11,544) |
| Decrease in mortgage receivable | 143 | 2,381 |
| | ----- | ----- |
| | 26,798 | 48,787 |
| INVESTMENTS | | |
| Proceeds from sale of fixed assets | 66 | 3,648 |
| Additions to | | |
| Land, buildings and equipment | (3,922) | (13,546) |
| Capital projects in progress | (52,398) | (69,122) |
| | ----- | ----- |
| | (56,254) | (79,020) |
| INCREASE (DECREASE) IN CASH DEFICIENCY | 965 | (4,321) |
| Cash deficiency at beginning of year | 359 | 4,680 |
| CASH DEFICIENCY AT END OF YEAR | ----- | ----- |
| | \$ 1,324 | \$ 359 |
| | ===== | ===== |

BRITISH COLUMBIA TRANSIT

STATEMENT OF CHANGES IN REGIONAL TRANSIT FUNDS

| | Vancouver | Victoria | Total | |
|-----------------------------------|-----------|----------|---------------------|-----------|
| | | | Year ended March 31 | |
| | | | 1989 | 1988 |
| | (\$000) | (\$000) | (\$000) | (\$000) |
| FUND BALANCE AT BEGINNING OF YEAR | \$ 404 | \$ 3,160 | \$ 3,564 | \$ 10,136 |
| Revenue | | | | |
| Gas tax | 48,624 | - | 48,624 | 36,386 |
| Non-residential property tax | 21,269 | - | 21,269 | 19,994 |
| Power levy | 9,894 | 3,991 | 13,885 | 13,074 |
| Interest earned | 2,178 | 385 | 2,563 | 2,238 |
| | 81,965 | 4,376 | 86,341 | 71,692 |
| | 82,369 | 7,536 | 89,905 | 81,828 |
| Contribution to shareable deficit | (69,689) | (4,051) | (73,740) | (78,264) |
| FUND BALANCE AT END OF YEAR | \$ 12,680 | \$ 3,485 | \$ 16,165 | \$ 3,564 |
| | ===== | ===== | ===== | ===== |

BRITISH COLUMBIA TRANSIT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1989

1. AUTHORITY

British Columbia Transit ("BC Transit") is established under the British Columbia Transit Act, as amended, to operate the urban transit systems in the Province of British Columbia.

In accordance with the Vancouver and Victoria Regional Transit Commission regulations, BC Transit is responsible for the administration of all funds raised by certain tax levies. The financial position and changes during the year in these funds are set out in the Balance Sheet and in the Statement of Changes in Regional Transit Funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with accounting principles appropriate for BC Transit. These principles are in conformity with generally accepted accounting principles appropriate for commercial enterprises, with the exceptions identified in notes 2(b) and (e).

(a) Parts inventory

Parts inventory is valued at the lower of cost and replacement value. Cost is determined using the average cost method. Certain parts inventory was acquired from B.C. Hydro in 1980 at a nominal cost. At the time of its acquisition, this inventory was valued at its average cost to B.C. Hydro with the difference being credited to contributed surplus.

(b) Fixed assets

Fixed assets have been recorded as follows:

(i) Fixed assets transferred from the Province of British Columbia in fiscal year 1980, at their appraised value at June 30, 1979.

(ii) Revenue vehicles acquired from B.C. Hydro, at their appraised value at March 1, 1980.

(iii) Seabuses, the South Shore and North Shore Seabus Terminals, acquired from the Province of British Columbia, at appraised values. The Seabuses were originally appraised at July 15, 1980. At August 18, 1987 they were reappraised by Robert Allan Ltd., as a result of which, fixed assets and contributed surplus were both increased by \$1,950,000. The other appraisals were carried out at various dates between July 15, 1980 and June 30, 1981.

BRITISH COLUMBIA TRANSIT

NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Fixed assets (Continued)

- (iv) The trolley overhead system acquired from B.C. Hydro on January 1, 1984 at its nominal value of \$1.
- (v) Land, land improvements, buildings and equipment acquired from B.C. Hydro, at appraised value. These appraisals were carried out at various dates between April 1, 1980 and April 1, 1982.

All appraisals are fair market value appraisals with the exception of the appraisal of buildings and land improvements, which are appraised at depreciated replacement cost.

- (vi) All construction and testing costs related to the SkyTrain have been capitalized. These costs include net interest expenditures as indicated in note 2(c), the costs incurred in testing the service reliability of the Vancouver/New Westminster phase of the SkyTrain system to March 31, 1986 and the remaining estimated net costs relating to this phase of the system.
 - (vii) All other fixed assets, at cost, including capitalized interest as indicated in note 2(c).
 - (viii) Depreciation and amortization are provided on the basis which results in a matching of these charges with BC Transit's statutory power to recover the costs of the related assets. Contributed assets are not subject to recovery and are depreciated over their estimated useful lives by the sinking fund method. All assets are depreciated over a period not exceeding their estimated remaining useful lives.
- (c) Capitalization of interest
Interest, incurred in connection with capital acquisitions from the date of advance of funds until the assets are placed in service for transit purposes, is capitalized. Interest of \$14,313,000 (1988, \$6,467,000) was capitalized during the year ended March 31, 1989.
- (d) Amortization of bond discounts
Bond discounts are amortized on a straight-line basis over the term of the debt.
- (e) Amortization of contributed surplus
Contributed surplus (appraisal increase credits) is being amortized and reflected in net revenue at an amount equal to the depreciation charged on those assets for which BC Transit does not have statutory power to obtain full recovery from operations.

BRITISH COLUMBIA TRANSIT

NOTES TO FINANCIAL STATEMENTS (Continued)

3. LAND, BUILDINGS AND EQUIPMENT

| | 1989 | | | 1988 |
|--|-------------------|--|------------------|------------------|
| | Carrying value | Accumulated depreciation and amortization | Net | Net |
| | ----- (\$000) | ----- (\$000) | ----- (\$000) | ----- (\$000) |
| Land | \$ 48,851 | \$ - | \$ 48,851 | \$ 48,851 |
| Land improvements | 15,536 | 1,249 | 14,287 | 14,373 |
| Buildings | 59,938 | 4,082 | 55,856 | 56,335 |
| Revenue vehicles | 45,934 | 20,024 | 25,910 | 28,159 |
| Revenue vehicles under capital leases | 91,652 | 14,205 | 77,447 | 80,466 |
| Equipment | 15,352 | 1,544 | 13,808 | 11,578 |
| | ----- | ----- | ----- | ----- |
| | \$277,263 | \$ 41,104 | \$ 236,159 | \$ 239,762 |
| | ===== | ===== | ===== | ===== |

4. SKYTRAIN

| | 1989 | 1988 |
|--|------------------|------------------|
| | ----- (\$000) | ----- (\$000) |
| Construction, engineering and administration | \$ 656,907 | \$ 656,907 |
| Vehicles and equipment under capital lease | 159,502 | 159,502 |
| Property and rights-of-way | 37,976 | 37,976 |
| | ----- | ----- |
| | 854,385 | 854,385 |
| Net interest capitalized | 161,575 | 161,575 |
| | ----- | ----- |
| | 1,015,960 | 1,015,960 |
| | ----- | ----- |
| Less accumulated depreciation and amortization | 57,140 | 34,472 |
| | ----- | ----- |
| | \$ 958,820 | \$ 981,488 |
| | ===== | ===== |

BRITISH COLUMBIA TRANSIT

NOTES TO FINANCIAL STATEMENTS (Continued)

5. CAPITAL PROJECTS IN PROGRESS

| | 1989 | 1988 |
|---|-----------|-----------|
| | ----- | ----- |
| | (\$000) | (\$000) |
| Surrey extension | \$142,755 | \$111,720 |
| Surrey extension (capitalized interest) | 24,529 | 10,373 |
| | ----- | ----- |
| | 167,284 | 122,093 |
| Other | 8,376 | 1,169 |
| | ----- | ----- |
| | \$175,660 | \$123,262 |
| | ===== | ===== |

At March 31, 1989 BC Transit has unutilized approved funding for the Surrey extension of \$36,245,000 (excluding interest), of which \$5,062,000 has been committed.

6. NOTES PAYABLE

| | 1989 | 1988 |
|---|-----------|-----------|
| | ----- | ----- |
| | (\$000) | (\$000) |
| Commercial paper with the Province of British Columbia, 11.30% weighted average interest rate | \$167,445 | \$114,925 |
| | ===== | ===== |

7. LONG-TERM DEBT

| | 1989 | 1988 |
|--|-----------|-----------|
| | ----- | ----- |
| | (\$000) | (\$000) |
| Debentures, 11.03% weighted-average interest rate, due November 25, 1997 to August 10, 2007 | \$723,438 | \$723,438 |
| 11.125% Bond payable, due December 1, 1998 | 50,000 | 50,000 |
| 8.75% Bond payable, due January 15, 2009 | 25,000 | 25,000 |
| | ----- | ----- |
| | 798,438 | 798,438 |
| Less unamortized bond discount | 10,546 | 11,340 |
| | ----- | ----- |
| | 787,892 | 787,098 |
| 12.25% Serial debenture, interest payable annually, principal repayments of \$1,400,000 payable annually commencing January 31, 1991, with a final payment of \$7,000,000 due January 31, 1996 | 14,000 | 14,000 |
| | ----- | ----- |
| | 801,892 | 801,098 |
| Less current portion | 16,419 | 16,419 |
| | ----- | ----- |
| | \$785,473 | \$784,679 |
| | ===== | ===== |

BRITISH COLUMBIA TRANSIT

NOTES TO FINANCIAL STATEMENTS (Continued)

7. LONG-TERM DEBT (continued)

Long-term debt totalling \$812,438,000 is guaranteed by the Province of British Columbia.

Effective April 1, 1986 BC Transit entered into an agreement whereby the Province of British Columbia makes grants of principal and interest payments on \$275,000,000 of the long-term debt, representing approximately 50% of the SkyTrain guideway and station construction cost. These payments aggregated \$38,927,000 during each of 1989 and 1988.

Sinking fund and serial debenture payments due in each of the next five years are approximately as follows (\$000):

| | |
|------|-----------|
| 1990 | \$ 16,419 |
| 1991 | 17,819 |
| 1992 | 17,819 |
| 1993 | 17,819 |
| 1994 | 17,819 |

8. OBLIGATIONS UNDER CAPITAL LEASES

The obligations under capital leases, which mature at various dates from 1994 to 2007, represent the total present value of future minimum lease payments discounted at the interest rates implicit in the leases at the commencement of the lease term. These rates vary with prime and during the year ranged from 8.3% to 12.2%.

Obligations under capital leases totalling approximately \$215,450,000 are guaranteed by the Province of British Columbia.

The following is a schedule by year of approximate future minimum lease payments together with the balance of the obligations under capital leases as of March 31, 1989 (\$000):

| | |
|------------------------------------|-----------|
| 1990 | \$ 27,982 |
| 1991 | 27,932 |
| 1992 | 27,639 |
| 1993 | 28,188 |
| 1994 | 29,173 |
| 1995 - 2007 | 320,504 |
| | ----- |
| | 461,418 |
| Less amounts representing interest | 239,827 |
| | ----- |
| | 221,591 |
| Less current portion | 5,753 |
| | ----- |
| | \$215,838 |
| | ===== |

BRITISH COLUMBIA TRANSIT

NOTES TO FINANCIAL STATEMENTS (Continued)

9. CONTINGENT LIABILITIES

BC Transit is disagreeing with the supplier of the SkyTrain system on the interpretation of certain clauses of the purchase agreement. There are also a number of sub-contractor claims which have not yet been settled. In addition, a claim has been made by the City of Vancouver for damages due to the noise of the SkyTrain system. The outcome of the negotiations relating to these matters cannot presently be determined. They will be reflected in the accounts in the period of settlement.

10. COMPARATIVE FIGURES

Certain figures for the prior year have been reclassified to conform with the presentation adopted in the current year.

CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY TRUST FUND



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
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AUDITOR'S REPORT

To the Members of the Creston Valley Wildlife Management
Authority, and

To the Minister responsible for Environment,
Province of British Columbia:

I have examined the balance sheet of the Creston Valley Wildlife Management Authority Trust Fund as at March 31, 1989 and the statements of fund balance and revenue and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Trust Fund as at March 31, 1989 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Creston Valley Wildlife Act. In my opinion, these transactions were, in all significant respects, in compliance with the Act.

A handwritten signature in dark ink, appearing to read "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 23, 1989

CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY

TRUST FUND

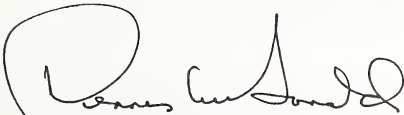
BALANCE SHEET

AS AT MARCH 31, 1989

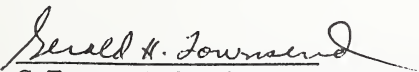
| | <u>1989</u> | <u>1988</u> |
|------------------------------|------------------|------------------|
| ASSETS | | |
| Cash | \$ 85,835 | \$ 15,854 |
| Short-term investments | - | 27,889 |
| Accrued interest receivable | 7,537 | 7,813 |
| Inventory | 19,092 | 14,508 |
| Prepaid expenses | <u>5,174</u> | <u>5,846</u> |
| | 117,638 | 71,910 |
| Long-term investments | | |
| (market value - \$159,822; | | |
| 1988 - \$274,069) | 164,801 | 264,020 |
| Fixed assets | <u>1</u> | <u>1</u> |
| | <u>\$282,440</u> | <u>\$335,931</u> |
| LIABILITIES | | |
| Deferred revenue | \$ 380 | \$ 380 |
| Refundable security deposits | 5,544 | 4,810 |
| Accrued expenses | <u>5,650</u> | <u>2,677</u> |
| | 11,574 | 7,867 |
| FUND BALANCE | <u>270,866</u> | <u>328,064</u> |
| | <u>\$282,440</u> | <u>\$335,931</u> |

The accompanying notes are an integral part
of these financial statements.

Approved by the Management Authority:



Dr. McDonald - Chairman



G. Townsend - Member

CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY TRUST FUND

STATEMENT OF FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 1989

| | <u>Operating Fund</u> | <u>Reserve for Facilities, Equipment and Major Works</u> | <u>Fund Balance March 31, 1989</u> | <u>Fund Balance March 31, 1988</u> |
|--|---------------------------|--|--|--|
| Balance at beginning of year | \$ 80,801 | \$247,263 | \$328,064 | \$276,109 |
| Excess of (expenditures over revenue) revenues over expenditures | (57,198) | - | (57,198) | 51,955 |
| | 23,603 | 247,263 | 270,866 | 328,064 |
| Transfers from reserves (to reserves) | 74,848 | (74,848) | - | - |
| Balance at the end of the year | <u>\$ 98,451</u> | <u>\$172,415</u> | <u>\$270,866</u> | <u>\$328,064</u> |

CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY

TRUST FUND

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED MARCH 31, 1989

| REVENUE | <u>1989</u> | <u>1988</u> |
|---------------------------------------|-------------------|------------------|
| Grants | | |
| Province of British Columbia | \$100,000 | \$100,000 |
| Government of Canada | 100,000 | 100,000 |
| Other | <u>10,638</u> | <u>8,824</u> |
| | <u>210,638</u> | <u>208,824</u> |
| Interest | <u>33,536</u> | <u>31,371</u> |
| Operations | | |
| Campground | 2,000 | 10,917 |
| Donations | 4,222 | 3,215 |
| Food services | 6,406 | 6,286 |
| Permits and sundry | 16,694 | 20,490 |
| Publications and other sales | 17,228 | 16,480 |
| West Meadows | 10,549 | 11,500 |
| Wildlife centre | <u>12,311</u> | <u>11,842</u> |
| | <u>69,410</u> | <u>80,730</u> |
| | <u>313,584</u> | <u>320,925</u> |
| EXPENDITURE | | |
| Administration and general | 116,105 | 99,879 |
| Campground | 3,125 | 13,756 |
| Equipment, machinery, buildings | 15,465 | 578 |
| Food services | 10,538 | 12,269 |
| Habitat management | 36,353 | 19,526 |
| Office furniture and equipment | 5,244 | 12,914 |
| Public services and information | 23,942 | 21,743 |
| Sales expense | 14,260 | 15,572 |
| Special projects | 12,146 | 3,671 |
| West Meadows | 1,960 | 2,771 |
| Wildlife centre | 74,144 | 66,291 |
| Settlement of outstanding claim | <u>57,500</u> | <u>-</u> |
| | <u>370,782</u> | <u>268,970</u> |
| EXCESS OF (EXPENDITURES OVER REVENUE) | | |
| REVENUE OVER EXPENDITURE FOR THE YEAR | <u>\$(57,198)</u> | <u>\$ 51,955</u> |

CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY

TRUST FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

1. Trust Fund

The Creston Valley Wildlife Management Authority was established by the Creston Valley Wildlife Act. The Trust Fund is established by Section 20 of the Act and includes all funds of the Management Authority, except money appropriated by the Legislature otherwise than by way of grants to the Trust Fund. All money of the Trust Fund is to be applied for wildlife conservation, management and development in the Creston Valley wildlife management area. Continued operation of the Management Authority is dependent on federal and provincial grants.

2. Significant Accounting Policies

Significant accounting policies followed in the preparation of these financial statements are:

- a) Inventory is valued at the lower of cost and net realizable value.
- b) Long-term investments are recorded at cost with the discount amortized on a straight-line basis over the terms of the investments.
- c) Fixed assets are expensed in the year of acquisition.
- d) Donations are recorded on a cash basis.

3. Services Provided At No Cost

Certain biological and support services are provided to the Authority by provincial and federal member agencies of the Authority at no cost.

DISCOVERY FOUNDATION

Thorne Ernst & Whinney

Chartered Accountants

Thorne Ernst & Whinney Tower
2500 - 1177 West Hastings Street
Vancouver, British Columbia, Canada
V6E 2L9

Telephone: (604) 685-3511
Direct Dial (604)
Telex: 04-55177
Fax: (604) 661-3031
File Ref.

AUDITORS' REPORT

To the Trustees of
Discovery Foundation

We have examined the consolidated balance sheet of Discovery Foundation as at March 31, 1989 and the consolidated statements of operations, contributed equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Foundation as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Ernst & Whinney

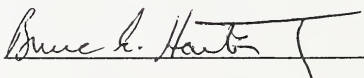
June 2, 1989

DISCOVERY FOUNDATION

CONSOLIDATED BALANCE SHEET

| | March 31 | |
|---|---------------------|------------------------|
| | 1989 | 1988 |
| | | (restated - note 8) |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and term deposits | - | \$ 320,025 |
| Short-term investments | \$ 410,356 | 1,442,950 |
| Segregated cash (note 1) | 1,050,000 | - |
| Accounts receivable | 299,854 | 371,401 |
| Due from the Province of British Columbia | 2,811,000 | - |
| Prepaid expenses | 37,837 | 39,496 |
| | <u>4,609,047</u> | <u>2,173,872</u> |
| VENTURE INVESTMENTS (note 2) | <u>8,423,000</u> | <u>8,054,590</u> |
| INVESTMENT IN RESEARCH PARKS (note 3) | | |
| Willingdon | 5,388,218 | 5,546,566 |
| Simon Fraser University | 2,931,169 | 2,915,346 |
| The University of British Columbia | 244,699 | 238,627 |
| | <u>8,564,086</u> | <u>8,700,539</u> |
| Less accumulated depreciation | 88,706 | 69,770 |
| | <u>8,475,380</u> | <u>8,630,769</u> |
| PROPERTY AND EQUIPMENT (note 4) | <u>160,522</u> | <u>181,227</u> |
| | <u>\$21,667,949</u> | <u>\$19,040,458</u> |
| LIABILITIES AND CONTRIBUTED EQUITY | | |
| CURRENT LIABILITIES | | |
| Cheques issued in excess of funds on deposit | \$ 31,418 | - |
| Bank indebtedness (note 5) | 57,000 | \$ 394,044 |
| Accounts payable and accrued liabilities | 606,925 | 548,611 |
| Rent received in advance | 86,797 | 190,085 |
| Current portion of the Province of British Columbia loan (note 6) | 2,460,000 | 100,000 |
| | <u>3,242,140</u> | <u>1,232,740</u> |
| THE PROVINCE OF BRITISH COLUMBIA LOAN (note 6) | <u>7,745,601</u> | <u>6,961,708</u> |
| CONTRIBUTED EQUITY | <u>10,680,208</u> | <u>10,846,010</u> |
| | <u>\$21,667,949</u> | <u>\$19,040,458</u> |
| CONTINGENCIES AND COMMITMENTS (notes 1 and 9) | | |
| APPROVED BY THE BOARD OF TRUSTEES: | | |

 Trustee

 Trustee

DISCOVERY FOUNDATION

CONSOLIDATED STATEMENT OF OPERATIONS

| | Year ended March 31 | |
|---|---------------------|------------------------|
| | 1989 | 1988 |
| | | (restated - note 8) |
| Revenue | | |
| Income from research parks | \$2,293,359 | \$ 2,243,895 |
| Registration fees and subscriptions | 15,089 | 16,855 |
| Contributions from National Research Council | 102,913 | 184,499 |
| Venture investment returns | 450,928 | 473,885 |
| Interest and other income | 37,042 | 65,996 |
| | <u>2,899,331</u> | <u>2,985,130</u> |
| Expenses | | |
| Research parks | | |
| Operations | 2,354,128 | 2,296,079 |
| Depreciation | 24,181 | 67,452 |
| Amortization of prepaid lease | - | 188,637 |
| Technology and innovation | | |
| Publication, seminars and Industrial Research Assistance Program | 221,414 | 238,507 |
| Administration, planning and support (schedule) | <u>2,205,061</u> | <u>2,074,230</u> |
| | <u>4,804,784</u> | <u>4,864,905</u> |
| Excess of expenses over revenue | 1,905,453 | 1,879,775 |
| Contributions from the Province of British Columbia (note 7) | <u>2,024,835</u> | <u>2,047,368</u> |
| Net excess of revenue over expenses from operations | <u>119,382</u> | <u>167,593</u> |
| Sale of properties | 460,000 | 5,500,000 |
| Cost of sales | <u>233,901</u> | <u>6,377,700</u> |
| Gain (loss) on sale of properties | <u>226,099</u> | <u>(877,700)</u> |
| Venture capital | | |
| Investments written off | (513,192) | (1,584,068) |
| Recovery of investments written off | 5,900 | 18,542 |
| | <u>(507,292)</u> | <u>(1,565,526)</u> |
| Net excess of expenses over revenue before extraordinary items | <u>161,811</u> | <u>2,275,633</u> |
| Extraordinary items | | |
| Gain on sale of 272319 B.C. Ltd. (note 1) | 1,041,108 | - |
| Purchase option revenue | - | 101,000 |
| | <u>1,041,108</u> | <u>101,000</u> |
| OPERATING AND VENTURE CAPITAL INCOME (LOSS) | <u>\$ 879,297</u> | <u>\$(2,174,633)</u> |

DISCOVERY FOUNDATION

CONSOLIDATED STATEMENT OF CONTRIBUTED EQUITY

| | Year ended March 31 | |
|---|---------------------|------------------------|
| | 1989 | 1988 |
| | | (restated - note 8) |
| Contributed equity at beginning of year, as restated (note 8) | \$10,846,010 | \$12,682,913 |
| Operating and venture capital income (loss) | 879,297 | (2,174,633) |
| Decrease (increase) in allowance for doubtful venture investments | <u>(1,045,099)</u> | <u>337,730</u> |
| CONTRIBUTED EQUITY AT END OF YEAR | <u>\$10,680,208</u> | <u>\$10,846,010</u> |

DISCOVERY FOUNDATION

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

| | Year ended March 31 | |
|--|---------------------|------------------------|
| | 1989 | 1988 |
| | | (restated - note 8) |
| CASH PROVIDED BY (USED FOR): | | |
| OPERATIONS | | |
| Operating and venture capital income (loss) | \$ 879,297 | \$(2,174,633) |
| Items not involving cash | | |
| Depreciation | 48,170 | 282,798 |
| Venture investments written off | 513,192 | 1,584,068 |
| Loss (gain) on sale of properties | (226,099) | 877,700 |
| Gain on sale of 272319 B.C. Ltd. | (1,041,108) | - |
| Changes in non-cash operating working capital | 21,398 | 226,567 |
| | <u>194,850</u> | <u>796,500</u> |
| FINANCING | | |
| Contributions for undeveloped lands | 265,165 | 242,632 |
| Due from the Province of British Columbia | (2,811,000) | 585,870 |
| Current portion of the Province of British Columbia loan | 2,360,000 | - |
| Province of British Columbia loan | 783,893 | 960,776 |
| Other | - | (89,096) |
| | <u>598,058</u> | <u>1,700,182</u> |
| INVESTMENTS | | |
| Segregated cash | (1,050,000) | - |
| Investment in research parks | (22,553) | (65,088) |
| Servicing of undeveloped lands | (265,165) | (242,632) |
| Investment in research building | - | (2,103,664) |
| Net proceeds on sale of | | |
| Research building | - | 1,717,386 |
| Developed land | 385,104 | |
| 272319 B.C. Ltd. | 1,047,942 | - |
| Additions to property and equipment | (8,528) | (25,561) |
| Reduction in funds appropriated for research park development | - | 89,096 |
| Venture investment activity | (1,926,701) | (898,761) |
| | <u>(1,839,901)</u> | <u>(1,529,224)</u> |
| INCREASE (DECREASE) IN CASH POSITION | (1,046,993) | 967,458 |
| Cash position at beginning of year | <u>1,368,931</u> | <u>401,473</u> |
| CASH POSITION AT END OF YEAR | <u>\$ 321,938</u> | <u>\$ 1,368,931</u> |

Cash position is defined as cash and term deposits and short-term investments less cheques issued in excess of funds on deposit and bank indebtedness.

DISCOVERY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1989

GENERAL

The Foundation, organized in September 1979 under the provisions of the Society Act of British Columbia, is a registered charitable organization whose role is to spearhead joint efforts by industry, government and higher education in stimulating the growth of knowledge-based, advanced technology industries for the Province of British Columbia.

The Foundation operates as part of the Province's technology development network and the Board of Trustees provides a reservoir of influence and expertise in the development of a bridge between basic research and commercial application. The core tools to create and maintain a continuing development program reside with the Foundation's four major divisions, which are included in these consolidated financial statements:

- (a) Discovery Parks Incorporated, a wholly owned subsidiary (acting as agent for the Foundation) which manages and develops the research parks, including the operation of the multi-tenant "incubator" building at the Willingdon site;
- (b) Discovery Innovation Centre, an internal division of the Foundation which provides a counselling and referral service for innovators to help them, and small companies, assess the scientific and commercial viability of their particular innovation;
- (c) Discovery Technology Division, an internal division of the Foundation which functions as a broker and facilitator in the provision of information by maintaining day-to-day working relations with universities, science and technology institutions, and corporations in Canada and abroad and also by its newsletter publications; and
- (d) Discovery Enterprises Inc., a wholly owned subsidiary which applies capital and unique human resources to build innovative enterprises, primarily in their early stages, for the economic benefit of its investors, investees, and the Province of British Columbia.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Short-term investments

Short-term investments included in current assets are carried at cost.

DISCOVERY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation

Property and equipment are stated at cost with depreciation and amortization provided as follows:

- (a) Furniture and fixtures are depreciated over their estimated useful lives using the declining-balance method at an annual rate of 20% from month of purchase.
- (b) The parking lot is depreciated over its estimated useful life using the declining-balance method at an annual rate of 8% from month of completion.

Investment in research parks

Costs related directly to the site development of the research parks are capitalized. Included in this capitalization are property taxes on non-operating building sites net of government assistance received. Depreciation is provided on building sites which are operational on a straight-line basis over 40 years.

Government assistance

Discovery Foundation receives capital and operating contributions from the Province of British Columbia. The capital contribution is applied as a reduction of investment in research parks. The operating contribution is included in the results of operations.

Valuation of venture investments

Venture investments are recorded on an individual basis at the lower of cost and estimated net realizable value. Cost includes current and capitalized interest outstanding plus dividends and royalties receivable. The net realizable value of equity investments which are publicly traded utilizes the quoted market price at the balance sheet date. The determination of net realizable value of debenture investments and equity investments which are not publicly traded is dependent upon management's assessment of whether a write-off or allowance is required.

Venture investments are written off when determined by management to be uncollectible or without value.

Based on management's judgment of the financial condition of each investee, an allowance for doubtful investments has been established which recognizes the high risks of venture capital investments in advanced technological projects even though events may not have occurred which specifically indicate an investment loss. This allowance is included in contributed equity as a reduction.

DISCOVERY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Short-term investments, debenture interest, dividends and royalties are recognized on an accrual basis. Gains and losses on venture investments are recognized only on actual dispositions or when management considers the impairment in value to be permanent.

1. SALE OF 272319 B.C. LTD.

During the year, 272319 B.C. Ltd., a wholly owned subsidiary was sold for cash proceeds of \$1,050,000. The sale is dependent on the purchaser being able to claim the Part VIII tax refund held by 272319 B.C. Ltd. Accordingly, all or a portion of the sale proceeds may have to be returned to the purchaser.

To provide for this contingency (note 9(f)), the Company is holding the sale proceeds as segregated cash, and will do so until the Part VIII tax refund is claimed. The refund is expected to be claimed over the next two years.

2. VENTURE INVESTMENTS

(a) Venture investments are held in the following form:

| | <u>1989</u> | <u>1988</u> |
|--|---------------------|--------------------|
| Debt (includes current and capitalized interest outstanding) | \$ 3,169,764 | \$2,872,254 |
| Equity - publicly traded | 1,615,261 | 1,160,000 |
| - privately held | <u>6,577,731</u> | <u>5,916,993</u> |
| | 11,362,756 | 9,949,247 |
| Less provision for doubtful investments | <u>2,939,756</u> | <u>1,894,657</u> |
| | <u>\$ 8,423,000</u> | <u>\$8,054,590</u> |

The publicly traded shares of investee companies have a quoted market value of \$2,132,728 (1988, \$1,194,803).

DISCOVERY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. VENTURE INVESTMENTS (Continued)

- (b) During the year, the following changes occurred in the venture investment portfolio:

| | <u>1989</u> | <u>1988</u> |
|---|---------------------------|---------------------------|
| Venture investments at beginning of year | \$8,054,590 | \$8,402,167 |
| Additions | | |
| Investments acquired | 2,341,198 | 1,256,885 |
| Debenture interest | 325,054 | 405,272 |
| Reductions | | |
| Payments | (739,551) | (763,396) |
| Write-offs | (513,192) | (1,584,068) |
| Decrease (increase) in allowance for doubtful investments | <u>(1,045,099)</u> | <u>337,730</u> |
| Venture investments at end of year | <u><u>\$8,423,000</u></u> | <u><u>\$8,054,590</u></u> |

3. INVESTMENT IN RESEARCH PARKS

The investment in research parks does not include the value of the following land interests:

- (a) Ownership of an initial 85-acre parcel of land at Willingdon gifted by the Province of British Columbia to the Foundation in 1979.
- (b) Leasehold interests accruing from long-term land leases with the University of British Columbia and Simon Fraser University.

4. PROPERTY AND EQUIPMENT

| | <u>1989</u> | | | <u>1988</u> |
|------------------------|---------------|---------------------------------|-----------------------|-----------------------|
| | <u>Cost</u> | <u>Accumulated depreciation</u> | <u>Net book value</u> | <u>Net book value</u> |
| Furniture and fixtures | \$208,679 | \$108,456 | \$100,223 | \$115,684 |
| Parking lot | <u>86,205</u> | <u>25,906</u> | <u>60,299</u> | <u>65,543</u> |
| | \$294,884 | \$134,362 | \$160,522 | \$181,227 |

DISCOVERY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. BANK INDEBTEDNESS

The bank indebtedness is payable on demand and accrues interest at prime plus one-half percent. The line of credit is secured by two \$10,000,000 demand debentures.

6. THE PROVINCE OF BRITISH COLUMBIA LOAN

Discovery Foundation, Discovery Enterprises Inc. and the Province of British Columbia entered into an agreement whereby the Province will provide up to \$50 million in loan funding to Discovery Enterprises Inc. over a five-year period commencing April 1, 1986. The amount of the loan advanced bears interest equal to the amount of taxable income otherwise calculated for a particular fiscal year. If taxable income as calculated for a particular year is nil, then no interest shall be payable.

The loan activity relative to these appropriations is summarized below:

| | 1989 | 1988 |
|--|---------------------|--------------------|
| Loan appropriations approved | \$ 8,000,000 | \$8,000,000 |
| Loan payable at beginning of year | \$ 6,961,708 | \$6,100,932 |
| Loan advances requisitioned and received | 783,893 | - |
| Requisition for undisbursed commitments | 2,460,000 | 960,776 |
| | <u>10,205,601</u> | <u>7,061,708</u> |
| Less current portion | <u>2,460,000</u> | <u>100,000</u> |
| Long-term portion of loan payable at end of year | <u>\$ 7,745,601</u> | <u>\$6,961,708</u> |

The agreement allows Discovery Enterprises Inc. to requisition out of the approved fiscal appropriation, funds equal to the undisbursed commitments at the fiscal year end. The agreement requires that any of these funds not disbursed to investees within 180 days of the date of receipt be returned to the Province of British Columbia. The current portion of the loan represents the portion of requisitioned funds that have not yet been disbursed to investees at March 31, 1989.

The loan repayment terms and conditions are to be reviewed at the end of the five-year period by the Province of British Columbia, Discovery Foundation, and Discovery Enterprises Inc. If these parties come to an agreement on new terms, specific repayment will be detailed in that agreement. If a new agreement cannot be reached, then the principal and any interest is due and payable in full on March 31, 1993.

DISCOVERY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. CONTRIBUTIONS FROM THE PROVINCE OF BRITISH COLUMBIA

The contributions received from the Province of British Columbia have been applied to the following purposes:

| | <u>1989</u> | <u>1988</u> |
|------------------------------|--------------------|--------------------|
| Operations | \$2,024,835 | \$2,047,368 |
| Investment in Research Parks | <u>265,165</u> | <u>242,632</u> |
| | <u>\$2,290,000</u> | <u>\$2,290,000</u> |

8. PRIOR PERIOD ADJUSTMENT

In 1988, the Foundation reported a \$68,404 recovery of an intercompany balance previously written off. This treatment was incorrect for consolidation purposes and resulted in an understatement of accounts payable and operating venture capital loss. Accordingly, balances reported in 1988 for recovery of investments written off and contributed equity have been restated and decreased by \$68,404 and accounts payable has been correspondingly increased by \$68,404.

9. CONTINGENCIES AND COMMITMENTS

- (a) The Foundation has leased from Simon Fraser University in 1981 and from The University of British Columbia in 1982 two parcels of land for terms of 75 years each. Each lease requires minimal rental payments in the first ten years and twenty years, respectively, of \$2,500 per hectare of land used (estimated 1990 rental is \$21,000), and thereafter rental payments are based on the fair market value for rental of the land.
- (b) Discovery Foundation rents office space under an operating lease which expires in May 1990. The aggregate lease payments of \$37,562 are to be paid in equal monthly instalments of \$2,683. In addition, subsequent to the year end, Discovery Foundation entered into a five-year lease agreement for office space with estimated annual lease payments of \$142,000.
- (c) Site development costs of \$2,931,169 have been capitalized on leased land at Simon Fraser University. The lease contains a development schedule which requires Discovery Foundation to proceed with additional development before November 1990. If the development schedule is not met, the undeveloped lands may be reclaimed by Simon Fraser University. Accordingly, it may be necessary to write off a portion of these costs.

DISCOVERY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. CONTINGENCIES AND COMMITMENTS (Continued)

- (d) The Foundation's subsidiary, Discovery Enterprises Inc., is committed to provide funding of \$2,460,000 to applicants who at March 31, 1989 have not satisfied all conditions precedent required by the terms of the offer to provide funding. Upon satisfaction by each applicant of its conditions precedent, disbursement of these funds, which are presented in these financial statements as the current portion of the Province of British Columbia loan, will be required.
- (e) The Foundation's subsidiary, Discovery Enterprises Inc., holds an equity investment which entitles it to an annual cumulative dividend of \$540,000 on preferred shares. The dividend has not been declared and therefore is not recorded in the accounts. At March 31, 1989, dividends in arrears relating to this investment totalled \$1,215,000.
- (f) The Foundation's sale of 272319 B.C. Ltd. (note 1) is dependent on the purchaser being able to claim the Part VIII tax refund held by 272319 B.C. Ltd. Accordingly, all or a portion of the \$1,050,000 sale proceeds may have to be returned to the purchaser. The refund is expected to be claimed over the next two years.

10. INCOME TAXES

Operating losses for income tax purposes of \$4,515,975 are available to reduce future income taxes, the benefit of which has not been recognized in the financial statements. These tax losses expire as follows:

| | |
|---|--------------------|
| 1994 | \$1,115,642 |
| 1995 | 2,130,606 |
| 1996 | <u>1,269,727</u> |
| Loss carry-forward for tax purposes | 4,515,975 |
| Excess of investments written off for accounting purposes over bad debts recorded for income tax purposes | <u>432,322</u> |
| | <u>\$4,948,297</u> |

DISCOVERY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. COMPARATIVE FIGURES

Certain 1988 comparative balances have been reclassified to conform with the basis of presentation adopted in the current year.

12. PROFESSIONAL CONSULTANTS

Professional consultants' expense includes:

- (a) Fees charged for the part-time services by the Chairman and Chief Executive officer of the Foundation, and
- (b) Fees and relocation costs for the President of the Foundation's subsidiary, Discovery Enterprises Inc.

DISCOVERY FOUNDATION

SCHEDULE OF ADMINISTRATION, PLANNING AND SUPPORT EXPENSES

| | Year ended March 31 | |
|--|---------------------|------------------------|
| | 1989 | 1988 |
| | | (restated - note 8) |
| Advertising, promotion and development | \$ 60,511 | \$ 75,280 |
| Bank charges and financing costs | 10,278 | 12,539 |
| Depreciation and amortization | 23,989 | 26,709 |
| Directors' fees and expenses | 58,113 | 38,727 |
| Insurance | 50,929 | 65,574 |
| Office expenses, including rent | 349,503 | 334,288 |
| Professional consultants (note 12) | 558,986 | 295,830 |
| Professional fees | 117,799 | 144,867 |
| Salaries and benefits | 827,260 | 932,337 |
| Travel, seminars and public relations | <u>147,693</u> | <u>148,079</u> |
| | <u>\$2,205,061</u> | <u>\$2,074,230</u> |

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone (604) 387-6803
Fax (604) 387-1230

AUDITOR'S REPORT

To the Chairman and Members of the Board of the
Health Facilities Association of British Columbia, and

To the Minister of Health,
Province of British Columbia:

I have examined the balance sheet of the Health Facilities Association of British Columbia as at March 31, 1989 and the statements of revenue and expenditure and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Association as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles disclosed in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

A handwritten signature in dark ink, reading "George L. Morfitt". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 26, 1989

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

BALANCE SHEET

AS AT MARCH 31, 1989

ASSETS

| | <u>1989</u> | <u>1988</u> |
|--|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and short-term deposits | \$ 3,800,797 | \$ 1,849,991 |
| Grants receivable from Province of British Columbia | 1,886,963 | 1,732,575 |
| Accrued interest receivable | <u>133,800</u> | <u>135,156</u> |
| | <u>5,821,560</u> | <u>3,717,722</u> |
| NON-CURRENT ASSETS | | |
| Grants to hospitals | 54,798,259 | 54,814,012 |
| Mortgage receivable | <u>3,686,623</u> | <u>4,003,622</u> |
| | <u>58,484,882</u> | <u>58,817,634</u> |
| | <u>\$64,306,442</u> | <u>\$62,535,356</u> |

LIABILITIES

CURRENT LIABILITIES

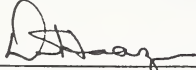
| | | |
|-----------------------------------|------------------|------------------|
| Short-term borrowings(note 3) | \$ 495,101 | \$ - |
| Grants payable to hospitals | 110,700 | 54,722 |
| Accrued interest payable | 2,020,764 | 1,867,724 |
| Current obligations on debentures | <u>2,594,961</u> | <u>2,132,124</u> |
| | <u>5,221,526</u> | <u>4,054,570</u> |

LONG-TERM DEBT

| | | |
|---|---------------------|---------------------|
| Debentures (note 4) | 81,540,753 | 76,871,876 |
| Less sinking funds on deposit (note 5) | <u>22,455,837</u> | <u>18,391,090</u> |
| | <u>59,084,916</u> | <u>58,480,786</u> |
| | <u>\$64,306,442</u> | <u>\$62,535,356</u> |

See accompanying notes

APPROVED ON BEHALF OF THE BOARD:


Director


Director

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1989

| | <u>1989</u> | <u>1988</u> |
|---|-------------------|-------------------|
| REVENUE | | |
| Grants from the Province of British Columbia | \$11,301,262 | \$17,886,107 |
| Interest on mortgage receivable | 628,995 | 631,707 |
| Interest on sinking fund investments | <u>1,752,869</u> | <u>2,548,976</u> |
| | <u>13,683,126</u> | <u>21,066,790</u> |
| EXPENDITURES | | |
| Interest on short-term borrowings | 41,196 | - |
| Interest on debentures | 10,005,409 | 11,810,484 |
| Amortization of grants to hospitals | <u>3,636,521</u> | <u>9,256,306</u> |
| | <u>13,683,126</u> | <u>21,066,790</u> |
| NET RESULT FOR THE YEAR | <u>Nil</u> | <u>Nil</u> |

See accompanying notes

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1989

| | <u>1989</u> | <u>1988</u> |
|--|---------------------|--------------------|
| CASH PROVIDED BY: | | |
| Activities | | |
| Net result for the year | \$ - | \$ - |
| Item not involving cash | | |
| Amortization of grants | <u>3,636,521</u> | <u>9,256,306</u> |
| | 3,636,521 | 9,256,306 |
| Realization of sinking funds to redeem debt | - | 22,000,000 |
| Issue of debentures | 5,131,714 | 2,061,000 |
| Reduction of mortgage receivable | <u>316,999</u> | <u>295,936</u> |
| | <u>9,085,234</u> | <u>33,613,242</u> |
| CASH APPLIED TO: | | |
| Redemption of debentures | - | 23,392,157 |
| Grants to hospitals | 3,620,767 | 728,607 |
| Contributions to sinking funds | 4,064,746 | 8,160,085 |
| Net change in non-cash working capital | <u>(551,085)</u> | <u>298,826</u> |
| | <u>7,134,428</u> | <u>32,579,675</u> |
| INCREASE IN CASH | 1,950,806 | 1,033,567 |
| CASH AND SHORT TERM DEPOSITS AT BEGINNING OF YEAR | <u>1,849,991</u> | <u>816,424</u> |
| AT END OF YEAR | <u>\$ 3,800,797</u> | <u>\$1,849,991</u> |

See accompanying notes

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1989

1. Nature of the Association

Health Facilities Association of British Columbia was incorporated under the Society Act on October 15, 1975. The Association raises capital through the issuance of debentures to the British Columbia Regional Hospital Districts Financing Authority to assist in financing the capital costs of hospital projects, medical and health facilities, and community human resources and health centres in the Province of British Columbia. Costs of servicing the debentures are paid through grants received from the Province of British Columbia.

2. Significant Accounting Policies

- a) Grant payments to hospitals financed by debenture proceeds are deferred expenditures which are recorded as non-current assets when approved for payment by the Ministry of Health. These assets are amortized by an annual charge to expenditures equivalent to contributions to the sinking funds, interest earned on sinking funds investments and other reductions of debenture principal.
- b) Grants from the Province of British Columbia for the retirement of the principal of debentures issued are recorded when paid by the Province. Grants for the payment of interest on the debentures are recognized as the interest accrues.
- c) Short-term deposits owned by the Association are managed by the Provincial Treasury. Interest earned on these short-term deposits accrues to the Province of British Columbia net of management and administrative fees charged by the Ministry of Finance and Corporate Relations. Therefore, interest from short-term deposits is not recorded by the Association.

3. Short-Term Borrowings

Short-term borrowings represent cash advances received from the Canadian Imperial Bank of Commerce under the Province of British Columbia's Certificate of Approval Program. Repayment of these advances is guaranteed by the Province of British Columbia.

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

4. DebenturesDebentures issued to the British Columbia Regional Hospital
Districts Financing Authority:

| | <u>1989</u> | <u>1988</u> |
|--|------------------|------------------|
| Series BCRHD-EC7 9.25% due March 3, 1993 | \$2,061,000 | \$ 2,061,000 |
| Series BCRHD-YR 7.69% due July 9, 1993 | 1,076,714 | - |
| Series JD 8.95% due December 10, 1995 | 1,500,000 | 1,500,000 |
| Series JF 9.03% due April 9, 1996 | 5,000,000 | 5,000,000 |
| Series JG 9.04% due May 7, 1996 | 3,000,000 | 3,000,000 |
| Series KB2 10.00% due September 13, 1996 | 2,000,000 | 2,000,000 |
| Series BCRHD-X 10.50% due December 16, 1998 | 4,055,000 | - |
| Series KO 10.49% due October 10, 1999 | 5,000,000 | 5,000,000 |
| Series KR 12.74% due March 10, 2000 | 10,000,000 | 10,000,000 |
| Series K3 13.13% due March 10, 2001 | 10,000,000 | 10,000,000 |
| Series K4 13.66% due April 10, 2001 | 2,000,000 | 2,000,000 |
| Series K12 15.93% due December 10, 2001 | 3,000,000 | 3,000,000 |
| Series K14 15.50% due February 10, 2002 | 3,500,000 | 3,500,000 |
| Series K15 16.10% due March 10, 2002 | 4,500,000 | 4,500,000 |
| Series K16 15.12% due April 8, 2002 | 4,000,000 | 4,000,000 |
| Series K21 13.43% due November 10, 2002 | 4,000,000 | 4,000,000 |
| Series K28 11.37% due July 4, 2003 | 4,000,000 | 4,000,000 |
| Series K33 11.79% due December 1, 2003 | 3,000,000 | 3,000,000 |
| Series K34 12.13% due March 1, 2004 | 5,000,000 | 5,000,000 |
| Series K41 12.96% due November 2, 2004 | 3,000,000 | 3,000,000 |
| Series K46 9.59% due May 9, 2006 | 3,000,000 | 3,000,000 |
| Series K52 9.04% due March 10, 2007 | <u>1,443,000</u> | <u>1,443,000</u> |
| | 84,135,714 | 79,004,000 |
| Less: Current obligations on debentures | <u>2,594,961</u> | <u>2,132,124</u> |

\$81,540,753 \$ 76,871,876

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

4. Debentures - (continued)

Sinking fund debentures series JF, JG, K3, K4, K12, K14, K15, K16, K21, K28, K33, K34, K41, K46 and K52, are redeemable in whole or in part before maturity at the option of the Chairman of the British Columbia Regional Hospital Districts Financing Authority (BCRHDA) upon five months prior written notice.

Sinking fund debenture BCRHD-EC7 is redeemable in whole or in part before maturity at the option of the Chairman of the BCRHDA upon not more than 45 days and not less than 30 days written notice.

Sinking fund debentures BCRHD-YR and BCRHD-X are redeemable in whole or in part before maturity at the option of the Chairman of the BCRHDA.

Contributions to debenture sinking funds required in each of the next five years are as follows:

| | |
|------|-------------|
| 1990 | \$2,594,961 |
| 1991 | \$2,594,961 |
| 1992 | \$2,594,961 |
| 1993 | \$2,594,961 |
| 1994 | \$2,243,651 |

5. Sinking Funds on Deposit

| | <u>1989</u> | <u>1988</u> |
|------------------|---------------------|---------------------|
| Investments | \$22,132,039 | \$18,114,631 |
| Accrued interest | <u>323,798</u> | <u>276,459</u> |
| | <u>\$22,455,837</u> | <u>\$18,391,090</u> |

6. Commitments

As at March 31, 1989, the Association has made commitments to health care facilities for approved projects totalling \$16 million (1988 - \$7 million).

HOUSING CORPORATION OF BRITISH COLUMBIA

Coopers
& Lybrand

chartered accountants

a member firm of
Coopers & Lybrand (International)AUDITORS' REPORT TO THE LIEUTENANT-GOVERNOR IN COUNCIL
PROVINCE OF BRITISH COLUMBIA

We have examined the consolidated balance sheet of the Housing Corporation of British Columbia as at October 31, 1988 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at October 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Vancouver, B.C.
March 15, 1989

HOUSING CORPORATION OF BRITISH COLUMBIA
 CONSOLIDATED BALANCE SHEET AS AT OCTOBER 31, 1988

(In thousands of dollars)

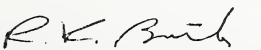
| | 1988 \$ | 1987 \$ |
|-----------------------------|--------------|--------------|
| A S S E T S | | |
| CASH AND TERM DEPOSITS | 4,628 | 4,218 |
| ACCRUED INTEREST RECEIVABLE | 24 | 5 |
| MORTGAGE RECEIVABLE | | 103 |
| ORGANIZATION COST | <u>1</u> | <u>1</u> |
| | <u>4,653</u> | <u>4,327</u> |

| | | |
|--|----------|-----------|
| L I A B I L I T I E S | | |
| ACCOUNTS PAYABLE AND ACCRUED LIABILITIES | <u>3</u> | <u>11</u> |

| | | |
|--|--------------|--------------|
| S H A R E H O L D E R ' S E Q U I T Y | | |
| SHARE CAPITAL (note 4) | 1,902 | 1,902 |
| RETAINED EARNINGS | <u>2,748</u> | <u>2,414</u> |
| | <u>4,650</u> | <u>4,316</u> |
| | <u>4,653</u> | <u>4,327</u> |

APPROVED BY THE DIRECTORS


 Director


 Director

HOUSING CORPORATION OF BRITISH COLUMBIA
CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED OCTOBER 31, 1988

(In thousands of dollars)

| | 1988 \$ | 1987 \$ |
|--|---------------------|---------------------|
| REVENUE | | |
| Interest | 357 | 296 |
| Recovery of mortgage receivable | <u> </u> | <u>140</u> |
| | 357 | 436 |
| EXPENSES | | |
| Administration | <u>23</u> | <u>31</u> |
| NET EARNINGS FOR THE YEAR | 334 | 405 |
| RETAINED EARNINGS - BEGINNING OF YEAR | <u>2,414</u> | <u>2,009</u> |
| RETAINED EARNINGS - END OF YEAR | <u><u>2,748</u></u> | <u><u>2,414</u></u> |

HOUSING CORPORATION OF BRITISH COLUMBIA
 CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
 FOR THE YEAR ENDED OCTOBER 31, 1988
 (In thousands of dollars)

| | 1988 \$ | 1987 \$ |
|--|-------------------|--------------|
| CASH PROVIDED FROM (USED FOR) | | |
| OPERATING ACTIVITIES | | |
| Cash from operations - | | |
| Net earnings for the year | 334 | 405 |
| Recovery of mortgage receivable | <u> </u> | <u>(140)</u> |
| | 334 | 265 |
| Net change in the following - | | |
| Accrued interest receivable | (19) | 6 |
| Accounts payable and accrued liabilities | <u>(8)</u> | <u>2</u> |
| | 307 | 273 |
| INVESTING ACTIVITY | | |
| Proceeds from mortgage receivable | <u>103</u> | <u>37</u> |
| INCREASE IN CASH AND TERM DEPOSITS DURING THE YEAR | 410 | 310 |
| CASH AND TERM DEPOSITS - BEGINNING OF YEAR | <u>4,218</u> | <u>3,908</u> |
| CASH AND TERM DEPOSITS - END OF YEAR | <u>4,628</u> | <u>4,218</u> |

HOUSING CORPORATION OF BRITISH COLUMBIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 1988

(In thousands of dollars)

1. WINDING UP OF THE OPERATIONS OF THE CORPORATION

Pursuant to a directive dated September 29, 1978, issued by the Ministry of Municipal Affairs and Housing, Province of British Columbia, the operations of the Corporation are being wound up. A total of \$12 million of dividends has been declared to date, of which \$3 million was paid in the fiscal year ended October 31, 1982, \$5 million in the fiscal year ended October 31, 1981 and \$4 million in the fiscal year ended October 31, 1980.

2. SIGNIFICANT ACCOUNTING POLICY

Principles of Consolidation

The consolidated financial statements include the accounts of the Housing Corporation of British Columbia and the wholly owned subsidiaries, Dunhill Development Corporation and HCBC Construction Ltd.

3. INCOME TAXES

All of the issued shares of the Corporation are owned by the Province of British Columbia, and therefore the Corporation is not subject to federal or provincial income taxes.

4. SHARE CAPITAL

| | 1988 | 1987 |
|---|--------------|--------------|
| | \$ | \$ |
| Authorized - | | |
| 2,000,000 common shares with no par value | | |
| Issued and fully paid - | | |
| 1,355,084 shares | <u>1,902</u> | <u>1,902</u> |

5. SUBSEQUENT EVENT

Effective February 1, 1989, the two wholly owned subsidiaries, Dunhill Development Corporation and HCBC Construction Ltd., were wound up.

INSURANCE CORPORATION OF BRITISH COLUMBIA

FINANCIAL

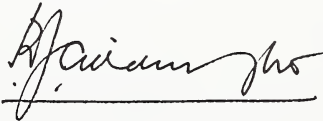
BALANCE SHEET

As at December 31, 1988


| | 1988 | 1987 |
|---|--------------------|--------------------|
| | (In Thousands) | |
| Assets | | |
| Cash in hands of agents | \$ 8,284 | \$ 7,383 |
| Investments (Note 3) | 2,028,760 | 1,778,216 |
| Accrued interest receivable | 27,306 | 27,156 |
| Accounts receivable | 11,526 | 16,167 |
| Deferred premium acquisition expenses | 44,702 | 36,897 |
| Property and equipment (Note 4) | 92,339 | 91,630 |
| | \$2,212,917 | \$1,957,449 |
| Liabilities | | |
| Cheques outstanding | \$ 18,469 | \$ 8,101 |
| Accounts payable and accrued charges | 31,680 | 24,516 |
| Premiums and fees in advance | 44,366 | 40,577 |
| Deferred investment gains and losses (Note 5) | 95,546 | 111,157 |
| Unearned premiums | 409,312 | 336,905 |
| Unpaid claims | 1,553,174 | 1,401,976 |
| | 2,152,547 | 1,923,232 |
| Insurance (Motor Vehicle) Act Fund Surplus | | |
| Catastrophe Reserve (Note 6) | 20,000 | 20,000 |
| Rate Stabilization Reserve (Note 6) | 30,000 | 14,000 |
| Unappropriated Surplus | 10,370 | 217 |
| | 60,370 | 34,217 |
| | \$2,212,917 | \$1,957,449 |

Approved by the Board

Director:



Director:



FINANCIAL

**INSURANCE
(MOTOR VEHICLE)
ACT FUND
STATEMENT OF
OPERATIONS**

Year ended December 31, 1988

| | 1988 | 1987 |
|--|-----------------------|------------|
| | <i>(\$ Thousands)</i> | |
| Revenue | | |
| Vehicle premiums written | \$1,087,752 | \$ 853,909 |
| Driver premiums written | 18,871 | 16,575 |
| | 1,106,623 | 870,484 |
| Vehicle premiums earned | 1,016,087 | 805,864 |
| Driver premiums earned | 18,128 | 15,926 |
| | 1,034,215 | 821,790 |
| Claims costs | | |
| Claims incurred | 953,798 | 850,546 |
| Claims operation expenses | 91,096 | 78,999 |
| | 1,044,894 | 929,545 |
| Expenses | | |
| Administrative | 66,179 | 58,714 |
| Commissions | 75,447 | 63,332 |
| Premium tax | 34,682 | 7,197 |
| | 176,308 | 129,243 |
| Total claims and expenses | 1,221,202 | 1,058,788 |
| Underwriting loss | (186,987) | (236,998) |
| Investment income | 213,140 | 179,205 |
| Income (loss) for the year | 26,153 | (57,793) |
| Unappropriated surplus — beginning of year | 217 | 12,010 |
| Appropriation (to) from: | | |
| rate stabilization reserve | (16,000) | 46,000 |
| Unappropriated surplus — end of year | \$ 10,370 | \$ 217 |

FINANCIAL

STATEMENT
OF CHANGES IN
FINANCIAL
POSITION

Year ended December 31, 1988

| | 1988 | 1987 |
|--|-----------------------|--------------------|
| | <i>(\$ Thousands)</i> | |
| Operating Activities | | |
| Cash received from: | | |
| Agents for vehicle premiums, licence fees and social service taxes | \$1,320,772 | \$1,068,538 |
| Interest and net gains on investments | 197,733 | 278,023 |
| Collections | 50,655 | 51,162 |
| Salvage sales | 18,779 | 16,909 |
| | <u>1,587,939</u> | <u>1,414,632</u> |
| Cash paid to: | | |
| Claimants or third parties on behalf of claimants | 843,868 | 732,164 |
| Province of British Columbia for licence fees and social service taxes collected | 173,274 | 157,825 |
| Province of British Columbia for premium taxes | 33,166 | 14,749 |
| Suppliers of goods and services | 60,892 | 68,351 |
| Employees for salaries and benefits | 104,692 | 93,515 |
| Agents for commissions | 74,982 | 65,592 |
| Policyholders for premium refunds | 55,776 | 53,533 |
| All others | 212 | 829 |
| | <u>1,346,862</u> | <u>1,186,558</u> |
| Increase in cash and investments during the year | 241,077 | 228,074 |
| Cash and Investments — beginning of year | 1,777,498 | 1,549,424 |
| Cash and Investments — end of year | <u>\$2,018,575</u> | <u>\$1,777,498</u> |
| Represented by: | | |
| Cash | 8,284 | 7,383 |
| Investments | 2,028,760 | 1,778,216 |
| Cheques outstanding | (18,469) | (8,101) |
| | <u>\$2,018,575</u> | <u>\$1,777,498</u> |

FINANCIAL

NOTES TO FINANCIAL STATEMENTS December 31, 1988

1. Status of the Corporation

The Insurance Corporation of British Columbia (the Corporation) is a Crown corporation incorporated under the Insurance Corporation Act, R.S.B.C. Chapter 201. The Corporation operates and administers the Insurance (Motor Vehicle) Act Fund, and as required by legislation, reports the revenues and expenses attributable to the operation of the Insurance (Motor Vehicle) Act Fund separately from other operations of the Corporation, if any. The Corporation also has the power and capacity to act as an insurer and reinsurer in all classes of insurance, but is not presently engaged in any such activities.

2. Summary of Significant Accounting Policies

BASIS OF REPORTING

The financial statements of the Corporation are prepared in accordance with generally accepted accounting principles and in accordance with the requirements of the Insurance Corporation Act. The more significant accounting policies adopted are noted below.

INVESTMENTS AND INVESTMENT INCOME

Investments are carried at amortized cost. Premiums or discounts on bond purchases are deferred and amortized over the term to maturity of each bond.

Income on interest bearing securities is accrued daily. Gains and losses on sales of debt securities are deferred and amortized over the term to maturity of the security sold or 60 months, whichever is less.

DEFERRED PREMIUM ACQUISITION EXPENSES

Commissions and premium taxes are expensed over the terms of the insurance policies to which they relate.

DEPRECIATION AND AMORTIZATION

Depreciation is provided on a straight-line basis at rates which will depreciate the original cost over the useful life of each asset. Leasehold improvements are amortized over the term of each lease.

UNEARNED PREMIUMS

Unearned premiums is that portion of premiums that relates to the unexpired term of each vehicle policy or driver's point penalty premium.

UNPAID CLAIMS

Unpaid claims includes a provision for reported and unpaid claims and related expenses, based on the claim settlement experience of the Corporation, current trends and a detailed review of claim files. Also included is an estimate for unreported claims.

3. Investments

| | Dec. 31, 1988 | | Dec. 31, 1987 | |
|--|--------------------|--------------------|--------------------|--------------------|
| | Cost | Market | Cost | Market |
| | (\$ Thousands) | | | |
| Short-term deposit receipts, call loans and notes | \$1,542,972 | \$1,542,972 | \$ 790,972 | \$ 790,972 |
| Bonds | 483,943 | 471,638 | 985,290 | 969,878 |
| Equities | 1,845 | 1,920 | 1,954 | 1,747 |
| | \$2,028,760 | \$2,016,530 | \$1,778,216 | \$1,762,597 |

FINANCIAL

NOTES TO FINANCIAL STATEMENTS (Continued) December 31, 1988

4. Property and Equipment

| | Dec. 31, 1988 | | Dec. 31, 1987 | |
|-------------------------|----------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Depreciation | Net Book Value | Net Book Value |
| | (\$ Thousands) | | | |
| Land | \$ 14,244 | \$ — | \$14,244 | \$13,846 |
| Buildings | 81,706 | 31,386 | 50,320 | 49,923 |
| Furniture and equipment | 56,490 | 28,925 | 27,565 | 27,533 |
| Leasehold improvements | 843 | 633 | 210 | 328 |
| | \$153,283 | \$60,944 | \$92,339 | \$91,630 |

Depreciation has been charged at the following rates — buildings 5-10%; furniture and equipment 10-33.3%. Depreciation expense for the year ended December 31, 1988 amounted to \$13,476,000 (1987 — \$11,411,000).

5. Deferred Investment Gains and Losses

| | Dec. 31, 1988 | Dec. 31, 1987 |
|--------------------------------------|----------------|---------------|
| | (\$ Thousands) | |
| Balance deferred — beginning of year | \$111,157 | \$ 20,585 |
| Net realized gains during year | 15,447 | 117,401 |
| Amount included in investment income | (31,058) | (26,829) |
| Balance deferred — end of year | \$ 95,546 | \$111,157 |

6. Insurance (Motor Vehicle) Act Fund Surplus

A catastrophe reserve has been established, in accordance with industry practice, to provide financial and reinsurance stability. A rate stabilization reserve has been established to lessen the impact on premiums of significant variations in claims loss experience.

During the year, the Corporation appropriated, from the Insurance (Motor Vehicle) Act Fund surplus, \$16,000,000 to the rate stabilization reserve.

7. Reinsurance

The Corporation underwrites policies of insurance and has obtained reinsurance on those policies which protect the Corporation against losses of up to \$110,000,000 and limits the Corporation's liability to \$7,500,000 in the event of a series of three or more claims arising out of a single occurrence. These reinsurance arrangements do not discharge the Corporation's obligation as primary insurer.

8. Related Party Transactions

The Corporation is the sole provider of compulsory automobile insurance in British Columbia and, therefore, insures vehicles owned or leased by the government of the province and its controlled entities. The Corporation also acts as agent for the Motor Vehicle Branch regarding the collection of motor vehicle licence fees and for the Ministry of Finance and Corporate Relations regarding the collection of social service taxes on privately sold used vehicles.

FINANCIAL

NOTES TO FINANCIAL STATEMENTS

(Continued)
December 31, 1988

9. Pension Plans

The Corporation maintains two contributory defined benefit best years' average pension plans which cover more than 95% of all regular employees. The plans provide pensions based on length of service and best years' average earnings. The plans are, to all intents and purposes, identical and are funded through a single fund — I.C.B.C. Employees' Retirement Trust Fund.

An actuarial report prepared as at December 31, 1988, which was based on projections of employees' compensation levels to the time of retirement, the rate of inflation and the rate of return on the Fund's assets, indicates that the present value of the accrued pension benefits and the net assets available to provide for these benefits, at market value, are as follows:

| | 1988 | 1987 |
|--|----------------|----------|
| | (\$ Thousands) | |
| Accrued pension benefits | \$62,686 | \$52,718 |
| Retirement Fund assets at market value | \$80,004 | \$68,044 |

The Corporation's pension contribution of \$3,225,000 (1987 — \$2,576,000) matches the employee contribution, which have both been established taking into account the amortization of experience and investment gains and losses over the average service life of the employees in the plans.

The unamortized surplus of the fund is for the benefit of eligible employees and is not recognized in determining the Corporation's operating results.

AUDITORS' REPORT

THE HONOURABLE LYALL F. HANSON MINISTER OF LABOUR AND CONSUMER SERVICES PROVINCE OF BRITISH COLUMBIA

We have examined the balance sheet of the Insurance Corporation of British Columbia as at December 31, 1988 and the statements of operations of the Insurance (Motor Vehicle) Act Fund and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1988 and the results of its operation of the Insurance (Motor Vehicle) Act Fund and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
February 14, 1989

LEGAL SERVICES SOCIETY

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Chairman and Members of the
Legal Services Society, and

To the Attorney General,
Province of British Columbia

I have examined the balance sheet of the Legal Services Society as at March 31, 1989 and the statements of income and expenditures and accumulated income over expenditures for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Society as at March 31, 1989 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in dark ink, reading "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

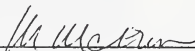
Victoria, British Columbia
May 25, 1989

**LEGAL SERVICES SOCIETY
BALANCE SHEET
AS AT MARCH 31, 1989**


| ASSETS | <u>1989</u> | <u>1988</u> |
|--|--------------------|--------------------|
| Cash and term deposits | \$5,720,933 | \$5,173,536 |
| Accounts receivable - related parties | 224,259 | 179,833 |
| - other | 278,877 | 75,314 |
| Prepaid expenses | <u>72,298</u> | <u>72,804</u> |
| | <u>\$6,296,367</u> | <u>\$5,501,487</u> |
| LIABILITIES | | |
| Accounts payable - general | \$ 495,778 | \$ 360,210 |
| - tariff | 3,202,746 | 3,460,079 |
| Professional staff benefit plan | 272,242 | 247,323 |
| Deferred income (note 5) | <u>1,758,953</u> | <u>-</u> |
| | <u>5,729,719</u> | <u>4,067,612</u> |
| ACCUMULATED INCOME OVER EXPENDITURES | | |
| Reserve for tariff expenditures | <u>566,648</u> | <u>1,433,875</u> |
| | <u>\$6,296,367</u> | <u>\$5,501,487</u> |

The accompanying notes are an integral part of these financial statements

Approved by the Board:



M. McEwan
Chairperson



W. Kitchen
Vice-chairperson

LEGAL SERVICES SOCIETY
STATEMENT OF ACCUMULATED INCOME OVER EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 1989

| | <u>1989</u> | <u>1988</u> |
|--|-------------------|---------------------|
| UNAPPROPRIATED ACCUMULATED INCOME OVER EXPENDITURES <ACCUMULATED EXPENDITURES OVER INCOME> | | |
| Balance - beginning of year | \$ - | \$ 810,805 |
| Excess of income over expenditures | <u>(867,227)</u> | <u>623,070</u> |
| | (867,227) | 1,433,875 |
| Reserve for tariff expenditures | <u>(867,227)</u> | <u>1,433,875</u> |
| Balance - end of year | <u>-</u> | <u>-</u> |
| RESERVE FOR TARIFF EXPENDITURES | | |
| Balance - beginning of year | 1,433,875 | - |
| Appropriated during the year | <u>(867,227)</u> | <u>1,433,875</u> |
| Balance - end of year | <u>566,648</u> | <u>1,433,875</u> |
| ACCUMULATED INCOME OVER EXPENDITURES | \$ <u>566,648</u> | \$ <u>1,433,875</u> |

**LEGAL SERVICES SOCIETY
STATEMENT OF INCOME AND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 1989**

| | <u>1989</u> | <u>1988</u> |
|------------------------------------|----------------------------|--------------------------|
| INCOME | | |
| GRANTS | | |
| Province of British Columbia | \$21,685,243 | \$19,427,467 |
| Law Foundation | 3,000,000 | 3,000,000 |
| Notary Foundation | <u>541,844</u> | <u>199,796</u> |
| | <u>25,227,087</u> | <u>22,627,263</u> |
| OTHER INCOME | | |
| Interest | 545,611 | 452,117 |
| Legal costs recovered from clients | 96,223 | 81,879 |
| Publications | 20,767 | 22,732 |
| Miscellaneous | 13,019 | 5,595 |
| Donated services | <u>228,701</u> | <u>246,091</u> |
| | <u>904,321</u> | <u>808,414</u> |
| | <u>26,131,408</u> | <u>23,435,677</u> |
| EXPENDITURES | | |
| Area directors | 137,412 | 104,700 |
| Board expenses | 28,680 | 27,124 |
| Computer | 229,455 | 132,909 |
| Duty counsel | 690,904 | 647,799 |
| Grants and contracted services | 2,582,884 | 2,358,761 |
| Libraries | 119,549 | 106,583 |
| Miscellaneous | 101,596 | 83,025 |
| Office | 805,322 | 794,671 |
| Premises | 496,652 | 437,610 |
| Publications | 83,385 | 81,756 |
| Salaries and benefits | 4,986,069 | 4,766,430 |
| Tariffs | 16,204,850 | 12,859,432 |
| Transcripts | 302,630 | 209,015 |
| Travel | <u>229,247</u> | <u>202,792</u> |
| | <u>26,998,635</u> | <u>22,812,607</u> |
| EXCESS OF INCOME OVER | | |
| EXPENDITURES FOR THE YEAR | \$ <u>(867,227)</u> | \$ <u>623,070</u> |

**LEGAL SERVICES SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1989**

1. Organizational objectives

Under the Legal Services Society Act the objects of the Society are to ensure that:

- (a) services ordinarily provided by a lawyer are afforded to individuals who would not otherwise receive them because of financial or other reasons; and
- (b) education, advice and information about law are provided for the people of British Columbia.

2. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles for non-profit organizations.

Furniture and equipment are recorded as operating expenditures at the time of acquisition.

Donated services are recorded at fair value.

3. Fixed assets

Furniture and equipment purchased and expensed during the year amounted to \$184,492 (1988 - \$61,569).

4. Donated Services

The Province pays certain telephone and postage costs of the Society and provides audit services. In 1989, these costs amounted to \$228,701 (1988 - \$246,091).

5. Deferred income

The grant from the Province of British Columbia is payable in twelve equal instalments. The deferred income is the April 1989 grant payment, which was received before the end of the current fiscal year.

6. Related parties

In 1989, the Society received 84% (1988 - 84%) of its income from the Province of British Columbia and 12% (1988 - 13%) of its income from the Law Foundation of British Columbia. The Society depends on funding from these two sources for the continuance of its operations.

Under cost sharing agreements approximately 50% of the Society's expenditures on legal aid are recoverable by the Province of British Columbia from the Government of Canada.

7. Commitments

The Society has the following commitments under long-term leases for its office premises:

| | |
|------|-------------------|
| 1990 | \$ 244,226 |
| 1991 | 195,979 |
| 1992 | 146,861 |
| 1993 | 49,470 |
| 1994 | <u>40,463</u> |
| | <u>\$ 676,999</u> |

The Society's head office premises are provided at a reduced rent under an agreement between the City of Vancouver and Imbrook Properties Limited. The difference between the market value of the rent and the rent paid is approximately \$228,000 a year. These premises are provided under an agreement that expires on May 31, 1999.

8. Comparative figures

Certain of the 1988 figures have been restated to conform with the financial statement presentation adopted in 1989. These restatements have no effect on the accumulated income over expenditures.

MEDICAL SERVICES COMMISSION OF BRITISH COLUMBIA

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Chairman of the
Medical Services Commission of British Columbia, and

To the Minister of Health,
Province of British Columbia:

I have examined the balance sheet of the Medical Services Commission of British Columbia as at March 31, 1989 and the statement of operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1989 and the results of its operations for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

A handwritten signature in dark ink, reading "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 27, 1989

MEDICAL SERVICES COMMISSION OF BRITISH COLUMBIA

BALANCE SHEET

AS AT MARCH 31, 1989

(thousands of dollars)

| | <u>1989</u> | <u>1988</u> |
|--|------------------|------------------|
| <u>ASSETS</u> | | |
| Cash | \$ 7,163 | \$ 7,065 |
| Accounts Receivable | 3,710 | 4,625 |
| Due from the Province of British Columbia | <u>102,697</u> | <u>162,383</u> |
| | <u>\$113,570</u> | <u>\$174,073</u> |
| <u>LIABILITIES</u> | | |
| Accounts Payable | \$ 3,914 | \$ 1,432 |
| Unpaid Claims (Note 3) | 109,656 | 102,603 |
| Premiums Received in Advance | <u>-</u> | <u>70,038</u> |
| | <u>\$113,570</u> | <u>\$174,073</u> |

The accompanying notes are an integral part
of these financial statements.

Approved by the Commission:



Dr. C. B. Henderson, Chairman

MEDICAL SERVICES COMMISSION OF BRITISH COLUMBIA

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 1989

(thousands of dollars)

| | <u>1989</u> | <u>1988</u> |
|---|------------------|-------------------|
| REVENUE | | |
| Subscribers' Premiums (Note 4) | \$ <u>-</u> | \$ <u>421,154</u> |
| | <u>-</u> | <u>421,154</u> |
| EXPENDITURE | | |
| Service Costs | | |
| Medical Care | 1,011,377 | 942,162 |
| Supplementary Care | <u>57,061</u> | <u>59,627</u> |
| | <u>1,068,438</u> | <u>1,001,789</u> |
| Administration | | |
| Data Processing | 9,147 | 7,599 |
| General Office | 4,705 | 3,608 |
| Salaries | <u>12,823</u> | <u>13,158</u> |
| | <u>26,675</u> | <u>24,365</u> |
| | <u>1,095,113</u> | <u>1,026,154</u> |
| Excess of Expenditure Over Revenue | (1,095,113) | (605,000) |
| Contributions from the Province of British Columbia (Note 5) | <u>1,095,113</u> | <u>605,000</u> |
| | \$ <u>-</u> | \$ <u>-</u> |

MEDICAL SERVICES COMMISSION OF BRITISH COLUMBIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

1. The Commission

The Medical Services Commission was established, effective July 1, 1968, by the Government of the Province of British Columbia under the Medical Service Act and Regulations, to administer and operate the Medical Services Plan.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles, except that the cost of furniture and equipment is charged to administration expense in the year of acquisition.

3. Unpaid Claims

The liability for unpaid claims represents unrepresented and unprocessed claims for services provided, and is based on current year claims received after year-end and past claim experience and trends.

4. Subscribers' Premiums

Until April 1, 1988, all premiums under the Medical Services Plan were remitted to the Commission, with any deficiency in the funds to meet the necessary expenditures to be paid out of the Consolidated Revenue Fund. After that date, amendments to the Medical Service Act Regulations, approved by an Order-in-Council dated March 25, 1988, require that premiums under the Medical Services Plan now be remitted to the Minister of Finance and Corporate Relations. Money is now paid out of the Consolidated Revenue Fund of the Province of British Columbia to meet all the needed expenditures for the operation of the Plan.

5. Contributions from the Province of British Columbia

| | <u>1989</u> | <u>1988</u> |
|--------------------|------------------------|------------------|
| | (thousands of dollars) | |
| Contributions | \$ 949,697 | \$502,666 |
| Premium Assistance | 145,416 | 102,334 |
| | <u>\$1,095,113</u> | <u>\$605,000</u> |

The Medical Service Act requires the Province of British Columbia to fund all the expenditures of the Medical Services Commission and to pay premium assistance for qualified subscribers whose incomes are below specified amounts. For comparative purposes, the figures shown for 1987/88 have been restated to be consistent with the presentation of the 1988/89 financial statements.

MEDICAL SERVICES COMMISSION OF BRITISH COLUMBIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

6. Recovery due to Overutilization

Under the terms of a memorandum of agreement between the Commission and the British Columbia Medical Association, the Commission is entitled to recover payments made for medical services in excess of an agreed amount, and considered to have arisen due to overutilization of the services. The recovery, if any, is recognized when a determination is reached between the parties regarding the overutilization of the services. The amount of the recovery is recorded as a reduction of expenditure.

A recovery in the amount of \$11,862,326 with respect to overutilization of medical services in the 1986/87 fiscal year was agreed to by the parties in July 1987, and was recognized in 1987/88. For the 1987/88 fiscal year there was no recovery required. No determination has been reached regarding overutilization of the services for the current year.

7. Relationship with the Province of British Columbia

The Province of British Columbia absorbs certain administration and accommodation costs associated with the operation of the Commission. In addition, superannuation and leave entitlement liabilities relating to the Commission are recorded as obligations of the Province.

8. Contingent Liability

In the 1988/89 fiscal year an action was commenced by physicians in the section of Emergency Medicine of the British Columbia Medical Association claiming damages, together with interest and costs, for payments allegedly withheld by the Commission. The amount of the damages is not stated in the Writ of Summons served on the Commission. It is the opinion of the Commission's management and its legal counsel that the physicians have no cause of action.

PACIFIC COACH LINES LTD.

BALANCE SHEET
(PREPARED WITHOUT AUDIT)

ASSETS

| | <u>MARCH 31</u> | |
|---------------------------------|------------------|------------------|
| | <u>1989</u> | <u>1988</u> |
| CURRENT ASSETS: | | |
| Cash | \$ 8,090 | \$ 46,868 |
| Accounts Receivable | 451 | 7,870 |
| Pension Overpayment Recoverable | <u>33,376</u> | <u>33,376</u> |
| | <u>\$ 41,917</u> | <u>\$ 88,114</u> |

LIABILITIES

| | <u>MARCH 31</u> | |
|--|-----------------|-------------|
| | <u>1989</u> | <u>1988</u> |
| CURRENT LIABILITIES: | | |
| Accounts Payable and Accrued Liabilities | - | \$ 864 |
| | - | \$ 864 |

SHAREHOLDER'S EQUITY

| | | |
|------------------------------|--------------------|--------------------|
| SHARE CAPITAL: | | |
| AUTHORIZED - | | |
| 10,000 common shares | | |
| of \$1 par value | | |
| ISSUED - | | |
| 2 common shares | \$ 2 | \$ 2 |
| CONTRIBUTED SURPLUS | 2,491,366 | 2,491,366 |
| CONTRIBUTION TO THE PROVINCE | | |
| OF BRITISH COLUMBIA | (1,225,000) | (1,175,000) |
| DEFICIT | <u>(1,224,451)</u> | <u>(1,229,118)</u> |
| | <u>41,917</u> | <u>87,250</u> |
| | <u>\$ 41,917</u> | <u>\$ 88,114</u> |



President

PACIFIC COACH LINES LTD.
STATEMENT OF OPERATIONS AND DEFICIT
(PREPARED WITHOUT AUDIT)

| | YEAR ENDED MARCH 31 | |
|--|---------------------|---------------------|
| | 1989 | 1988 |
| REVENUE: | | |
| Rental and Sundry Revenue | \$ 10 | \$ 2,500 |
| Interest on Short Term Deposits | <u>4,657</u> | <u>74,612</u> |
| | <u>4,667</u> | <u>77,112</u> |
| EXPENSES: | | |
| Professional Fees | - | 1,163 |
| Other Operating Expenses | - | 2,888 |
| Depreciation | <u>-</u> | <u>58</u> |
| | <u>-</u> | <u>4,109</u> |
| INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS | 4,667 | 73,003 |
| CORRECTION OF PRIOR YEAR'S INCOME | - | (4,293) |
| EXTRAORDINARY INCOME (EXPENSE) RELATING TO PRIVATIZATION: | | |
| GAIN ON SALE OF FIXED ASSETS | <u>-</u> | <u>623,944</u> |
| INCOME (LOSS) FOR YEAR | 4,667 | 692,654 |
| DEFICIT, BEGINNING OF YEAR | <u>1,229,118</u> | <u>1,921,772</u> |
| DEFICIT, END OF YEAR | <u>\$ 1,224,451</u> | <u>\$ 1,229,118</u> |

PROVINCIAL CAPITAL COMMISSION



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Chairman and Members of the
Provincial Capital Commission, and

To the Minister of Municipal Affairs, Recreation and Culture,
Province of British Columbia:

I have examined the balance sheet of the Provincial Capital Commission as at March 31, 1989 and the statement of revenue, expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1989 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Capital Commission Act. In my opinion, these transactions were, in all significant respects, in compliance with the Act.

A handwritten signature in black ink, reading "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 15, 1989

PROVINCIAL CAPITAL COMMISSION

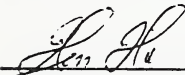
BALANCE SHEET

AS AT MARCH 31, 1989

| | <u>1989</u> | <u>1988</u> |
|--|--------------------|--------------------|
| ASSETS | | |
| Cash | \$ 139,267 | \$ 93,265 |
| Short-term investments (note 3) | 2,573,030 | 1,835,157 |
| Accounts receivable | 36,169 | 56,690 |
| Inventory | 10,587 | 9,072 |
| Prepaid expenses | 18,983 | 34,907 |
| Property | <u>1</u> | <u>1</u> |
| | <u>\$2,778,037</u> | <u>\$2,029,092</u> |
| LIABILITIES | | |
| Due to Province of British Columbia | \$ 85,024 | \$ 65,795 |
| Accounts payable and accrued liabilities | <u>125,002</u> | <u>113,579</u> |
| | <u>210,026</u> | <u>179,374</u> |
| SURPLUS | | |
| Appropriated (Schedule 1) | 906,194 | 332,057 |
| Unappropriated | 1,661,816 | 1,517,660 |
| Contributed | <u>1</u> | <u>1</u> |
| | <u>2,568,011</u> | <u>1,849,718</u> |
| | <u>\$2,778,037</u> | <u>\$2,029,092</u> |

The accompanying notes are an integral part of these financial statements.

Approved by the Commission:



K.A.S. Hill - Chairman



P. Charlesworth - Vice Chairman

PROVINCIAL CAPITAL COMMISSION
STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS
FOR THE YEAR ENDED MARCH 31, 1989

| | <u>1989</u> | <u>1988</u> |
|--|--------------------|--------------------|
| REVENUE | | |
| Government grants | \$ 680,000 | \$ 555,000 |
| Admissions | 457,772 | 434,939 |
| Ballroom, lounge rental and bar sales | 192,221 | 171,170 |
| Interest | 229,527 | 183,729 |
| Tenant rentals | 1,078,304 | 860,609 |
| Other | 20,812 | 26,579 |
| | <u>2,658,636</u> | <u>2,232,026</u> |
| EXPENDITURE | | |
| General operating | 781,570 | 794,849 |
| Crystal Garden | 857,910 | 902,274 |
| Capital | 300,863 | 911,439 |
| | <u>1,940,343</u> | <u>2,608,562</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE | 718,293 | (376,536) |
| SURPLUS - BEGINNING OF YEAR | <u>1,849,718</u> | <u>2,226,254</u> |
| SURPLUS - END OF YEAR | <u>\$2,568,011</u> | <u>\$1,849,718</u> |

**PROVINCIAL CAPITAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1989**

1. THE COMMISSION

The Provincial Capital Commission operates under authority of the Capital Commission Act.

The Commission is responsible for the following:

- advising on the planning and funding of improvement and beautification projects in the Capital Improvement District;
- controlling and managing specific approved projects not under the direct control of member municipalities;
- co-ordinating construction and development work of all construction proposals on land controlled or owned by the Province in the Capital Improvement District;
- serving Greater Victoria through co-operation with local municipalities and by assistance funding to approved improvement and beautification projects; and
- operating the Crystal Garden and the St. Ann's Academy building.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles for non-profit organizations.

Short-term investments are carried at the lower of cost or market value.

Inventory is valued at the lower of cost and net realizable value.

Property is comprised of land and buildings owned by the Commission and is recorded at a nominal value of one dollar. The costs of purchasing such assets and making capital improvements to them are written off when incurred.

Furniture and equipment are recorded as general operating expenditures at the time of acquisition.

Appropriated Surplus is comprised of unexpended balances of amounts approved by Orders-in-Council for capital projects which are not yet completed. Such projects are undertaken in cooperation with Capital Improvement District municipalities.

3. SHORT-TERM INVESTMENTS

| | <u>1989</u> | <u>1988</u> |
|------------------------|--------------------|--------------------|
| Cost | \$2,575,115 | \$1,835,157 |
| Unrealized (loss) gain | <u>(2,085)</u> | <u>38,274</u> |
| Market value | <u>\$2,573,030</u> | <u>\$1,873,431</u> |

**PROVINCIAL CAPITAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1989**

4. FIXED ASSETS

Furniture and equipment purchased and expensed during the year amounted to \$4,300 (1988 - \$15,174).

Capital expenditures made and expensed during the year amounted to \$362,016 (1988 - \$969,361).

5. RELATED PARTY TRANSACTIONS

The Ministry of Finance and Corporate Relations acts as fiscal agent for the Commission.

The Ministry of Municipal Affairs, Recreation and Culture made the following payments to the Commission during the 1989 fiscal year:

- \$306,000 to cover operating expenses (1988 - \$300,000); and
- \$374,000 appropriated to the Beautification Fund (1988 - \$255,000).

6. SUBSEQUENT EVENT

Subsequent to the year end, the Commission was in the process of negotiating an agreement to lease the St. Ann's Academy property.

7. RECLASSIFICATIONS

Certain 1988 figures have been reclassified in order to conform with the presentation adopted in 1989.

Schedule 1

PROVINCIAL CAPITAL COMMISSION
SCHEDULE OF APPROPRIATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 1989

| | <u>Balance at Beginning of Year</u> | <u>Authorized Additions During the Year</u> | <u>Capital Expenditures During the Year</u> | <u>Balance at End of Year</u> |
|-------------------------------------|---|---|---|---------------------------------------|
| <u>Beautification</u> | | | | |
| West Bay Development Phase I | \$ 58,376 | | \$ 58,376 | |
| Douglas Street/Saanich | 99,800 | | 99,800 | |
| Cuthbert Holmes Park-I | 105,461 | | 105,461 | |
| Cuthbert Holmes Park-II | | \$ 70,000 | | \$ 70,000 |
| Goldstream Ave./ Millstream Road | | 45,000 | | 45,000 |
| Gorge Falls Viewpoint | | 20,000 | | 20,000 |
| West Bay - Russell to Mary | | 190,000 | | 190,000 |
| View Royal Park | <u> </u> | <u>50,000</u> | <u> </u> | <u>50,000</u> |
| | 263,637 | 375,000 | 263,637 | 375,000 |
| <u>General</u> | | | | |
| 468/470 Belleville Street | <u>68,420</u> | <u>500,000</u> | <u>37,226</u> | <u>531,194</u> |
| | <u>\$332,057</u> | <u>\$875,000</u> | <u>\$300,863</u> | <u>\$906,194</u> |

PROVINCIAL RENTAL HOUSING CORPORATION



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Shareholder of the Provincial Rental
Housing Corporation, and

To the Minister of Social Services and Housing,
Province of British Columbia

I have examined the statement of financial position of the Provincial Rental Housing Corporation as at December 31, 1988 and the statements of revenue, expenses and accumulated return of investment and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
March 31, 1989

PROVINCIAL RENTAL HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 1988

| <u>ASSETS</u> | <u>1988</u> | <u>1987</u> |
|--|----------------------|----------------------|
| CURRENT ASSETS | | |
| Amortization revenue receivable | \$ 115,521 | \$ 115,521 |
| Prepaid expenses | <u>-</u> | <u>15,360</u> |
| | <u>115,521</u> | <u>130,881</u> |
| INVESTMENT IN RENTAL HOUSING (Note 3) | <u>69,930,769</u> | <u>71,678,600</u> |
| | <u>\$ 70,046,290</u> | <u>\$ 71,809,481</u> |
| <u>LIABILITIES AND SHAREHOLDER'S EQUITY</u> | | |
| CURRENT LIABILITIES | | |
| Accrued interest payable | \$ 4,728,842 | \$ 115,196 |
| Current portion of long-term debt | <u>129,875</u> | <u>-</u> |
| | 4,858,717 | 115,196 |
| LONG-TERM DEBT (Note 4) | <u>64,485,051</u> | <u>70,991,763</u> |
| | <u>69,343,768</u> | <u>71,106,959</u> |
| SHARE CAPITAL | | |
| Authorized 10,000 common shares of no par value | | |
| Issued and fully paid - 3 shares | 3 | 3 |
| CONTRIBUTED SURPLUS | 669,076 | 669,076 |
| RETAINED EARNINGS | <u>33,443</u> | <u>33,443</u> |
| | <u>702,522</u> | <u>702,522</u> |
| | <u>\$ 70,046,290</u> | <u>\$ 71,809,481</u> |

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

S. Travers
Director

R. K. Zühl
Director

PROVINCIAL RENTAL HOUSING CORPORATION
STATEMENT OF REVENUE, EXPENSES
AND ACCUMULATED RETURN OF INVESTMENT
FOR THE YEAR ENDED DECEMBER 31, 1988

| | <u>1988</u> | <u>1987</u> |
|---|----------------------|----------------------|
| AMORTIZATION REVENUE (Note 2(a)) | \$ 8,595,402 | \$ 8,600,310 |
| Gain on sale of rental housing properties | <u>35,050</u> | <u>-</u> |
| | <u>8,630,452</u> | <u>8,600,310</u> |
| EXPENSES | | |
| Interest on long-term debt | 7,103,787 | 7,239,620 |
| Insurance | <u>15,360</u> | <u>26,162</u> |
| | <u>7,119,147</u> | <u>7,265,782</u> |
| EXCESS OF REVENUE OVER EXPENSES | 1,511,305 | 1,334,528 |
| ACCUMULATED RETURN OF INVESTMENT | | |
| Balance at beginning of year | <u>17,747,461</u> | <u>16,412,933</u> |
| Balance at end of year (Note 3) | <u>\$ 19,258,766</u> | <u>\$ 17,747,461</u> |

PROVINCIAL RENTAL HOUSING CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1988

| | <u>1988</u> | <u>1987</u> |
|--|--------------------|--------------------|
| CASH PROVIDED BY INVESTMENT ACTIVITIES | | |
| Excess of revenue over expenses | \$ 1,511,305 | \$ 1,334,528 |
| Less item not involving a current cash flow: | | |
| Gain on sale of rental housing properties | <u>(35,050)</u> | <u>-</u> |
| | 1,476,255 | 1,334,528 |
| Proceeds from disposal of rental housing properties | 271,576 | - |
| Decrease (increase) in amortization revenue receivable | - | 34,835 |
| Decrease (increase) in prepaid expenses | 15,360 | (662) |
| (Decrease) increase in accrued portion of long term debt | 129,875 | - |
| (Decrease) increase in accrued interest payable | <u>4,613,646</u> | <u>(4,726,002)</u> |
| | 6,506,712 | (3,357,301) |
| CASH APPLIED TO FINANCING ACTIVITIES | | |
| Net increase (decrease) of outstanding debt | <u>(6,506,712)</u> | <u>3,357,301</u> |
| CASH, END OF YEAR | <u>\$ -</u> | <u>\$ -</u> |

PROVINCIAL RENTAL HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1988

1. THE CORPORATION

The Provincial Rental Housing Corporation is incorporated under the Company Act of the Province of British Columbia. The Corporation is wholly owned by the Province of British Columbia, and is an agent of the Crown.

The Corporation has been involved in the acquisition and funding of social housing projects. It holds investment in such housing projects, the cost of which it expects to recover over periods of approximately 50 years. The rental housing units of the Corporation are managed by the British Columbia Housing Management Commission.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles appropriately modified, as disclosed below, to reflect the nature and purpose of the Corporation.

a) Amortization Revenue

Amortization revenue represents amounts charged to the British Columbia Housing Management Commission based on the capital and interest costs of the housing units amortized generally over 50 years.

b) Investment in Rental Housing

Investment in rental housing is stated at cost less accumulated return of investment. The accumulated return of investment consists of the excess of revenue over expenses including gains and losses on disposal of rental properties. Gains and losses on disposal of rental properties are calculated on the basis of cost of investment in rental housing before deducting accumulated return of investment.

3. INVESTMENT IN RENTAL HOUSING

The investment of the Corporation in subsidized rental housing at December 31, 1988 was comprised of 100 projects and consisted of the following:

| | <u>1988</u> | <u>1987</u> |
|---|----------------------|----------------------|
| Properties eligible for Federal loans | \$ 63,245,507 | \$ 63,482,033 |
| Provincial share of joint Federal/ Provincial properties | 24,916,155 | 24,916,155 |
| Property not eligible for Federal loans | <u>1,027,873</u> | <u>1,027,873</u> |
| | 89,189,535 | 89,426,061 |
| Less - accumulated return of investment | <u>19,258,766</u> | <u>17,747,461</u> |
| | <u>\$ 69,930,769</u> | <u>\$ 71,678,600</u> |

PROVINCIAL RENTAL HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1988

The Corporation disposed of six rental properties in 1988 which were part of the Squamish/Valleycliffe portfolio. The proceeds from sales (\$271,576) less the initial cost (\$236,526), resulted in a gain on sales of \$35,050.

4. LONG-TERM DEBT

| | <u>1988</u> | <u>1987</u> |
|---|----------------------|----------------------|
| Province of British Columbia | | |
| 9.75% Debenture | \$ 18,272,103 | \$ 24,373,641 |
| 11.25% Mortgage loan | <u>1,023,003</u> | <u>1,023,328</u> |
| | 19,295,106 | 25,396,969 |
| Canada Mortgage and Housing Corporation | | |
| Debenture mortgage loans | <u>45,319,820</u> | <u>45,594,794</u> |
| | 64,614,926 | 70,991,763 |
| Less - current portion | <u>129,875</u> | <u>-</u> |
| | <u>\$ 64,485,051</u> | <u>\$ 70,991,763</u> |

- (a) The provincial debenture is repayable on demand and is secured by a first floating charge on all the property, assets and undertakings of the Corporation.

The provincial mortgage loan is repayable over 35 years. The loan bears interest at 11.25% compounded yearly and is a registered mortgage against the property.

- (b) The debenture mortgage loans are repayable to the Canada Mortgage and Housing Corporation over terms of up to fifty years. These loans bear interest at rates from 8% to 10.75% and are secured by unregistered first mortgages on properties with a cost of \$56,004,563.
- (c) The aggregate repayments of principal required to meet total debt obligations in each of the next five years are estimated to be as follows:

| | |
|------|---------|
| 1989 | 129,441 |
| 1990 | 142,314 |
| 1991 | 156,475 |
| 1992 | 172,055 |
| 1993 | 191,130 |

5. ADMINISTRATION COSTS

No administration costs are charged to the Corporation for services performed by personnel of the Ministry of Social Services and Housing.

PROVINCIAL RENTAL HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1988

6. SUBSEQUENT EVENT

On March 30, 1989 the Government of British Columbia announced plans to introduce legislation authorizing the formation of a new corporation, the British Columbia Housing Corporation. This Corporation will assume the functions of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation.

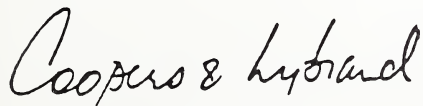
**SCIENCE COUNCIL OF BRITISH COLUMBIA AND SECRETARIAT ON SCIENCE,
RESEARCH AND DEVELOPMENT****Coopers
& Lybrand**

chartered accountants

a member firm of
Coopers & Lybrand (International)**AUDITORS' REPORT TO THE MINISTER OF
ADVANCED EDUCATION AND JOB TRAINING**

We have examined the balance sheet of The Science Council of British Columbia and Secretariat on Science, Research and Development as at March 31, 1989 and the statements of research receipts, expenditures and appropriations; T.E.S.T. receipts, expenditures and appropriations; operations receipts, expenditures and appropriations; and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Council and Secretariat as at March 31, 1989 and the results of their operations and changes in their financial position for the year then ended in accordance with generally accepted accounting principles, as modified by note 2 to the financial statements, applied on a basis consistent with that of the preceding year.




Vancouver, B.C.
May 19, 1989

**THE SCIENCE COUNCIL OF BRITISH COLUMBIA
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT
BALANCE SHEET AS AT MARCH 31, 1989**

| | 1989 \$ | 1988 \$ |
|--|-------------------|-------------------|
| A S S E T S | | |
| CASH AND SHORT-TERM DEPOSITS (note 5) | 11,925,020 | 3,007,343 |
| ACCOUNTS RECEIVABLE | 3,050,765 | 262,784 |
| PREPAID EXPENSES | <u>3,050</u> | <u>2,217</u> |
| | <u>14,978,835</u> | <u>3,272,344</u> |
| L I A B I L I T I E S | | |
| ACCOUNTS PAYABLE AND ACCRUED LIABILITIES | 200,627 | 111,304 |
| DEFERRED GRANTS (note 5) | <u>100,678</u> | <u> </u> |
| | <u>301,305</u> | <u>111,304</u> |
| A P P R O P R I A T I O N S | | |
| RESEARCH (note 3) | 14,617,449 | 2,941,025 |
| TRAINING EMPLOYMENT IN SCIENCE AND TECHNOLOGY (T.E.S.T.) (note 4) | | 180,980 |
| OPERATIONS | <u>60,081</u> | <u>39,035</u> |
| | <u>14,677,530</u> | <u>3,161,040</u> |
| | <u>14,978,835</u> | <u>3,272,344</u> |

COMMITMENTS (Schedule 2 and notes 3 and 4)

APPROVED BY THE COUNCIL AND SECRETARIAT


"Dr. J.A. McEwen"



THE SCIENCE COUNCIL OF BRITISH COLUMBIA
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT
STATEMENT OF RESEARCH RECEIPTS, EXPENDITURES AND APPROPRIATIONS
FOR THE YEAR ENDED MARCH 31, 1989

| | 1989 \$ | 1988 \$ |
|---|---------------------------------|--------------------------------|
| RESEARCH RECEIPTS | | |
| Grants from the Province of British Columbia (Schedule 1) | 15,641,394 | 3,500,000 |
| Grants from the Government of Canada | 100,000 | 100,000 |
| Interest | 299,003 | 250,161 |
| Refunds of prior years' research expenditures | 51,019 | 107,068 |
| Other | <u>34,912</u> | <u>13,730</u> |
| | 16,126,328 | 3,970,959 |
| RESEARCH EXPENDITURES (Schedule 2) | <u>4,189,904</u> | <u>3,632,995</u> |
| EXCESS OF RECEIPTS OVER EXPENDITURES | 11,936,424 | 337,964 |
| RESEARCH APPROPRIATIONS - BEGINNING OF YEAR | 2,941,025 | 2,603,061 |
| TRANSFER TO OPERATIONS | <u>(260,000)</u> | <u> </u> |
| RESEARCH APPROPRIATIONS - END OF YEAR | | |
| (encumbered by outstanding commitments) (note 3) | <u><u>14,617,449</u></u> | <u><u>2,941,025</u></u> |

THE SCIENCE COUNCIL OF BRITISH COLUMBIA
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT
STATEMENT OF T.E.S.T. RECEIPTS, EXPENDITURES AND APPROPRIATIONS
FOR THE YEAR ENDED MARCH 31, 1989

| | 1989 \$ | 1988 \$ |
|--|----------------|----------------|
| T.E.S.T. RECEIPTS | | |
| Grants from the Province of British Columbia | | 382,171 |
| Grants from the Government of Canada | | 60,071 |
| Interest income | <u>1,065</u> | <u>23,031</u> |
| | <u>1,065</u> | <u>465,273</u> |
| T.E.S.T. EXPENDITURES (GRANTS) | 180,310 | 481,749 |
| T.E.S.T. EXPENDITURES (OPERATIONS) | | |
| Administration and accounting | | 8,587 |
| Courier, communications and travel | | 1,241 |
| Non-recoverable costs | 1,735 | |
| Rent | | 5,856 |
| Salaries and employee benefits | | 38,071 |
| Utilities and supplies | | <u>872</u> |
| | <u>182,045</u> | <u>536,376</u> |
| DEFICIENCY OF RECEIPTS OVER EXPENDITURES | (180,980) | (71,103) |
| T.E.S.T. APPROPRIATIONS - BEGINNING OF YEAR | <u>180,980</u> | <u>252,083</u> |
| T.E.S.T. APPROPRIATIONS - END OF YEAR (encumbered by outstanding commitments) (note 4) | <u>Nil</u> | <u>180,980</u> |

THE SCIENCE COUNCIL OF BRITISH COLUMBIA

AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT

STATEMENT OF OPERATIONS RECEIPTS, EXPENDITURES AND APPROPRIATIONS

FOR THE YEAR ENDED MARCH 31, 1989

| | 1989 \$ | 1988 \$ |
|--|----------------|-------------------|
| OPERATIONS RECEIPTS | | |
| Grants from the Province of British Columbia | 300,000 | 300,000 |
| Interest | 8,420 | 12,906 |
| Recoveries - | | |
| Advanced Systems Foundation | 22,108 | 4,071 |
| British Columbia Health Care Research Foundation | 143,421 | 120,629 |
| Other | 25,651 | |
| Training Employment in Science and Technology | | <u>54,627</u> |
| | <u>499,600</u> | <u>492,233</u> |
| EXPENDITURES | | |
| Computer consultants | 2,555 | |
| Computer services | 7,611 | 2,707 |
| Consulting and temporary staff | 21,164 | 3,865 |
| Furniture and equipment (note 5) | 120,223 | 4,108 |
| Leasehold improvements | 1,905 | 467 |
| Meetings | 5,754 | 9,214 |
| Non-recoverable costs | 8,130 | |
| Personnel - recruitment | | 36,158 |
| Photocopying and printing | 42,685 | 31,944 |
| Postage and courier | 22,422 | 18,937 |
| Professional fees | 15,989 | 5,669 |
| Publications | 3,197 | 2,362 |
| Rent | 60,705 | 54,660 |
| Salaries and employee benefits | 357,748 | 317,465 |
| Stationery and supplies | 10,555 | 3,773 |
| Telephone | 19,707 | 16,287 |
| Travel | <u>38,204</u> | <u>15,154</u> |
| | <u>738,554</u> | <u>522,770</u> |
| DEFICIENCY OF RECEIPTS OVER EXPENDITURES | (238,954) | (30,537) |
| OPERATIONS APPROPRIATIONS - BEGINNING OF YEAR | 39,035 | 69,572 |
| TRANSFER FROM RESEARCH | <u>260,000</u> | <u> </u> |
| OPERATIONS APPROPRIATIONS - END OF YEAR | <u>60,081</u> | <u>39,035</u> |

THE SCIENCE COUNCIL OF BRITISH COLUMBIA
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 1989

| | 1989 \$ | 1988 \$ |
|--|--------------------------|-------------------------|
| CASH PROVIDED FROM (USED FOR) | | |
| OPERATING ACTIVITIES | | |
| Excess of receipts over disbursements - | | |
| Research | 11,676,424 | 337,964 |
| T.E.S.T. | (180,980) | (71,103) |
| Operations | 21,046 | (30,537) |
| Change in non-cash working capital | <u>(2,598,813)</u> | <u>(214,669)</u> |
| INCREASE IN CASH | 8,917,677 | 21,655 |
| CASH AND SHORT-TERM DEPOSITS - BEGINNING OF YEAR | <u>3,007,343</u> | <u>2,985,688</u> |
| CASH AND SHORT-TERM DEPOSITS - END OF YEAR | <u><u>11,925,020</u></u> | <u><u>3,007,343</u></u> |

**THE SCIENCE COUNCIL OF BRITISH COLUMBIA
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

1. ORGANIZATION

The Science Council of British Columbia and Secretariat on Science, Research and Development were established in June 1978 under the Science Council of British Columbia Act. Significant changes to the Act are expected shortly.

2. ACCOUNTING POLICIES

Basis of Accounting for Receipts and Expenses

Grants from the Province of British Columbia are accounted for as receipts in the calendar year to which they relate. Full provision is made for all accrued liabilities except that outstanding research grant commitments, which are conditional on receipt of satisfactory progress reports, are not recorded until actually disbursed.

Fixed Assets

Fixed assets are not capitalized and depreciated as assets of the Council and Secretariat, but are written off in the period in which they are purchased.

3. RESEARCH GRANT COMMITMENTS (Schedule 2)

During the year, the Council approved funding for research projects, IPDF's, GREAT's, Science and Engineering awards, special requests, special projects, honoraria and other expenses totalling \$14,725,454. At March 31, 1989, known outstanding commitments totalled \$13,231,449 which, together with additional estimated renewed commitments for the year ending March 31, 1990 of \$2,203,442, amount to \$15,434,891 in known and estimated outstanding commitments.

The Ministry of Advanced Education and Job Training announced the Science and Technology Development Fund program during the year. The administration of awards under this program has been contracted to the Science Council. The funds for this program to be received by the Council are \$8,035,554 plus interest (see note 4) with a total of \$8,297,877 being committed for disbursements during subsequent periods.

**THE SCIENCE COUNCIL OF BRITISH COLUMBIA
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

4. TRAINING EMPLOYMENT IN SCIENCE AND TECHNOLOGY

The program is a joint federally and provincially funded incentive program whereby financial assistance is available to firms and corporations that hire post-secondary graduates in the fields of science, engineering and technology. It is administered by the Secretariat under contract to the B.C. Ministry of Advanced Education and Job Training, and Employment and Immigration Canada.

Federal funding for this program ended March 31, 1988, but operations continued until all committed funds were disbursed in July 1988. Provincial funding was available but the program was postponed until a study for its need can be performed. These provincial funds were transferred, with Ministry approval, to other programs.

5. OTHER INFORMATION

- (a) A new computer system has been purchased for approximately \$125,000, which is included in payables at year end.
- (b) Cash and short-term deposits include \$7,477,281 of Science and Technology Development Funds received March 31, 1989.
- (c) Deferred grants include \$100,000 from the National Research Council as recovery for 1989/90 S.P.A.R.K. operations.

Schedule 1

THE SCIENCE COUNCIL OF BRITISH COLUMBIA
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT
SCHEDULE OF RECEIPTS FROM THE PROVINCE OF BRITISH COLUMBIA
FOR THE YEAR ENDED MARCH 31, 1989

| | 1989 \$ | 1988 \$ |
|---------------------------|-------------------|-------------------|
| Provincial Research Grant | 4,000,000 | 3,500,000 |
| Provincial Grants: MART | 166,975 | |
| HDF | 1,438,865 | |
| STDF I | 2,000,000 | |
| STDF II | <u>8,035,554</u> | <u> </u> |
| | <u>15,641,394</u> | <u>3,500,000</u> |

Schedule 2

THE SCIENCE COUNCIL OF BRITISH COLUMBIA
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT
SCHEDULE OF COMMITMENTS AND DISBURSEMENTS OF SCIENCE COUNCIL RESEARCH GRANTS
FOR THE YEAR ENDED MARCH 31, 1989

| | Known outstanding commitments - beginning of year \$ | Additional commitments during year \$ | Commitment reductions during year \$ | Disbursed during year \$ | Known outstanding commitments - end of year \$ | Estimated renewed commitments 1989-1990 \$ | Known and estimated outstanding commitments at March 31, 1989 \$ |
|--------------------------------|---|--|---|--------------------------------|--|--|--|
| RESEARCH GRANTS | | | | | | | |
| Research Competition #6 | 7,970 | | (7,970) | 5,465 | | | 23,145 |
| Research Competition #9 | 5,465 | | | 982 | | | 34,257 |
| Research Competition #10 | 982 | | | | | | 15,966 |
| Research Competition #12 | 33,380 | | (771) | 9,464 | 23,145 | | 27,078 |
| Research Competition #13 | 122,608 | | (77,197) | 11,154 | 34,257 | | 188,825 |
| Research Competition #14 | 91,443 | | (3,129) | 72,348 | 15,966 | | 425,178 |
| Research Competition #15 | 168,227 | | (11,936) | 129,213 | 27,078 | | 1,690,705 |
| Research Competition #16 | 617,073 | 14,123 | | 442,371 | 188,825 | | 3,514,020 |
| Research Competition #17 | 1,466,209 | 1,644,598 | (32,000) | 1,009,031 | 918,263 | 772,442 | |
| Research Competition #18 | | 2,333,769 | | 726,335 | 2,258,020 | 1,256,000 | |
| Research Competition #19 | | | | 75,749 | | | |
| | <u>2,513,357</u> | <u>3,992,490</u> | <u>(133,003)</u> | <u>2,482,112</u> | <u>3,890,732</u> | <u>2,028,442</u> | <u>5,919,174</u> |
| IPDF | 131,250 | 300,000 | (3,125) | 221,875 | 206,250 | 175,000 | 381,250 |
| GREAT | | | | | | | |
| GC8 | | 699,499 | | 699,499 | 450,000 | | 450,000 |
| GC9 | | 450,000 | | | 450,000 | | 450,000 |
| | | <u>1,149,499</u> | | <u>699,499</u> | <u>125,000</u> | | <u>125,000</u> |
| STARS | 50,000 | 125,000 | | 50,000 | | | |
| | | <u>8,297,877</u> | | | <u>8,297,877</u> | | <u>8,297,877</u> |
| STDF II | | 38,170 | | 38,170 | | | |
| SCIENCE AND ENGINEERING AWARDS | | | | | | | |
| Carried forward | <u>2,694,607</u> | <u>13,903,036</u> | <u>(136,128)</u> | <u>3,491,656</u> | <u>12,969,859</u> | <u>2,203,442</u> | <u>15,173,301</u> |

Coopers
& Lybrand

THE SCIENCE COUNCIL OF BRITISH COLUMBIA
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT
SCHEDULE OF COMMITMENTS AND DISBURSEMENTS OF SCIENCE COUNCIL RESEARCH GRANTS
FOR THE YEAR ENDED MARCH 31, 1989

| | Known estimated outstanding commitments - beginning of year \$ | Additional commitments during year \$ | Commitment reductions during year \$ | Disbursed during year \$ | Known outstanding commitments - end of year \$ | Estimated reversed commitments 1989-1990 \$ | Known and estimated outstanding commitments at March 31, 1989 \$ |
|---|--|--|---|--------------------------------|--|---|--|
| Brought forward | 2,694,607 | 13,903,036 | (136,128) | 3,491,656 | 12,969,859 | 2,203,442 | 15,173,301 |
| SPECIAL REQUESTS | | | | | | | |
| Arts, Science and Technology Centre - Director | 30,000 | | | 30,000 | | | |
| Arts, Science and Technology Centre - Regional Science Fairs 1988 | 2,100 | | | 2,100 | | | |
| Arts, Science and Technology Centre - Regional Science Fairs 1989 | | 33,450 | | 18,900 | 14,550 | | 14,550 |
| B.C.S.T.A./F.I.S.A. Book Prize 1988 | 5,995 | | (3,760) | 2,235 | | | |
| B.C.S.T.A./F.I.S.A. Book Prize 1989 | | 10,500 | | 1,000 | 9,500 | | 9,500 |
| Superconductivity Research | 5,000 | | | 5,000 | | | |
| T.V. Science Show '87 (Pearl Productions) | 1,000 | | | | 1,000 | | 1,000 |
| Science talks | 240 | | | 240 | | | |
| COCT - Shad Valley 1988 | | 6,600 | | 6,600 | | | |
| Physics Day Project | | 1,000 | | 900 | 100 | | 100 |
| Stellar Motion | | 5,000 | | | 5,000 | | 5,000 |
| | 44,335 | 56,550 | (3,760) | 66,975 | 30,150 | | 30,150 |
| SPECIAL PROJECTS | | | | | | | |
| Leadership | | 104,420 | | 104,420 | | | |
| A.G.A.R. Program Review Project | | 4,353 | | 8,253 | | | |
| Public Information | 3,900 | 106,179 | | 106,179 | | | |
| Patent Policies Review | | 5,000 | | | 5,000 | | 5,000 |
| B.E.S.T. | | 45,000 | | 20,000 | 25,000 | | 25,000 |
| T.E.S.T. Study | | 10,000 | | | 10,000 | | 10,000 |
| Opportunities in Space Forum | | 33,859 | | 33,859 | | | |
| | 3,900 | 308,811 | | 272,711 | 40,000 | | 40,000 |
| | 87,707 | 450,396 | 5,238 | 351,901 | 191,440 | | 191,440 |
| | | 6,661 | | 6,661 | | | |
| | 2,830,549 | 14,725,454 | (134,650) | 4,189,904 | 13,231,449 | 2,203,442 | 15,434,891 |
| STRATEGIC PLANNING FOR APPLIED RESEARCH AND KNOWLEDGE (S.P.A.R.K.) | | | | | | | |
| HONORARIA AND OTHER EXPENSES | | | | | | | |

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& Lybrand

SIMON FRASER UNIVERSITY



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Chairman and Members of the Board of Governors of
Simon Fraser University, and

To the Minister of Advanced Education and Job Training,
Province of British Columbia:

I have examined the balance sheet of Simon Fraser University as at
March 31, 1989 and the following statements for the year then ended:

- Statement 2 - Statements of changes in reserves and appropriated
expendable fund balances
- Statement 3 - Statement of changes in unappropriated expendable
fund balances
- Statement 4 - Statement of changes in non-expendable fund
balances
- Statement 5 - Statement of changes in equity in plant assets

My examination was made in accordance with generally accepted auditing
standards, and accordingly included such tests and other procedures as I
considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of
the University as at March 31, 1989 and the results of its operations and changes
in fund balances for the year then ended in accordance with accounting
principles described in note 1 to the financial statements applied on a basis
consistent with that of the preceding year.

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 15, 1989

SIMON FRASER UNIVERSITY

Statement 1

BALANCE SHEET

AS AT MARCH 31, 1989
(thousands of dollars)

| ASSETS | 1989 | 1988 (Note 10) | LIABILITIES AND FUND BALANCES | 1989 | 1988 (Note 10) |
|---------------------------------|-----------|-------------------|--|------------------|-------------------|
| Cash and short-term investments | \$ 43,574 | \$ 42,702 | Accounts payable and accrued liabilities | \$ 15,565 | \$ 8,579 |
| Accounts receivable | 10,152 | 5,684 | Loans payable (Note 3) | 21,622 | 6,893 |
| Prepaid expenses | 880 | 428 | Long-term debt (Note 4) | 46,076 | 45,856 |
| Inventories | 1,810 | 1,862 | | | |
| Long-term investments (Note 2) | 7,175 | 2,329 | Reserves (Statement 2) (Note 5) | | |
| | | | Group insurance | 1,041 | 946 |
| Plant assets | | | Retirement benefits | 4,009 | 3,898 |
| Land and buildings | 118,086 | 104,208 | Lease commitment | 14,336 | 13,737 |
| Equipment | 40,376 | 35,495 | | | |
| Library holdings | 24,872 | 22,892 | Expendable fund balances | | |
| Roads and parking lots | 11,401 | 9,604 | Appropriated (Statement 2) | | |
| Leasehold improvements | 6,716 | 348 | General operating | 6,460 | 6,658 |
| | | | Ancillary enterprises | 395 | 430 |
| | | | Capital | 664 | 1,578 |
| | | | Unappropriated (Statement 3) | | |
| | | | General operating | 99 | 141 |
| | | | Sponsored research | 3,173 | 2,545 |
| | | | Specific purpose | 6,517 | 4,545 |
| | | | Ancillary enterprises | 265 | 140 |
| | | | Capital | 1,741 | 1,767 |
| | | | Non-expendable fund balances (Statement 4) | | |
| | | | Endowment | 10,066 | 7,868 |
| | | | Student loan | 83 | 83 |
| | | | Equity in plant assets (Statement 5) | 132,930 | 119,888 |
| | | | | <u>\$265,042</u> | <u>\$225,552</u> |

Approved:


 D. Hudson
 Chairman, Board of Governors
 P. S. Boyle C.A.
 Vice President,
 Financial Services

SIMON FRASER UNIVERSITY

Statement 2

STATEMENTS OF CHANGES IN RESERVES AND APPROPRIATED EXPENDABLE FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 1989
(thousands of dollars)

| | Balances Beginning of Year | Released to Meet Expenditures | Additions during the Year | Net Change for Year | Balances End of Year |
|--|----------------------------------|-------------------------------------|---------------------------------|---------------------------|----------------------------|
| RESERVES (NOTE 5) | | | | | |
| Group insurance | \$ 946 | \$ - | \$ 95 | \$ 95 | \$ 1,041 |
| Retirement benefits | 3,898 | 279 | 390 | 111 | 4,009 |
| Lease commitment | 13,737 | - | 599 | 599 | 14,336 |
| TOTALS | \$18,581 | \$ 279 | \$ 1,084 | \$ 805 | \$19,386 |
| APPROPRIATIONS | | | | | |
| GENERAL OPERATING FUND | | | | | |
| Provisions: | | | | | |
| Annualized costs | 908 | \$ 908 | \$ 1,145 | \$ 237 | \$ 1,145 |
| Non-recurring expenditures | 2,539 | 2,539 | 1,499 | (1,040) | 1,499 |
| Research grants carryover | 752 | 752 | 891 | 139 | 891 |
| Self insurance and appraisal | 100 | - | - | - | 100 |
| Specific expenditures | 380 | 379 | 564 | 185 | 565 |
| Systems development | 751 | 149 | 156 | 7 | 758 |
| Contingencies | 100 | - | - | - | 100 |
| Other authorized allocations to following fiscal year | 1,128 | 771 | 1,045 | 274 | 1,402 |
| | 6,658 | 5,498 | 5,300 | (198) | 6,460 |
| ANCILLARY ENTERPRISES FUND | | | | | |
| Provision for equipment replacement and capital improvements | 430 | 231 | 196 | (35) | 395 |
| CAPITAL FUND | | | | | |
| Provision for authorized projects (Note 10) | 1,578 | 1,578 | 664 | (914) | 664 |
| TOTALS | \$ 8,666 | \$ 7,307 | \$ 6,160 | \$ (1,147) | \$ 7,519 |

S I M O N F R A S E R U N I V E R S I T Y
STATEMENT OF CHANGES IN UNAPPORTIONED EXPENDABLE FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 1989
(thousands of dollars)

| | General Operating | Sponsored Research | Specific Purpose | Ancillary Enterprises | Capital | Totals 1989 (Note 10) |
|--|----------------------|-----------------------|---------------------|--------------------------|----------|-----------------------------|
| REVENUES AND OTHER ADDITIONS | | | | | | |
| Government grants and contracts | \$72,471 | \$ 1,317 | \$ 6,883 | \$ - | \$10,817 | \$ 91,488 |
| Province of British Columbia | - | 8,380 | 4,225 | - | - | \$ 83,597 |
| Government of Canada | - | 99 | 1,116 | - | - | 12,605 |
| Other governments | - | - | 1,243 | - | - | 10,816 |
| Student fees - credit courses | 16,203 | - | 7 | - | - | 43 |
| - non-credit courses | 1,070 | - | - | - | - | 17,446 |
| - other | 849 | - | - | - | - | 16,004 |
| Gifts, grants and contracts | 122 | 841 | 1,010 | - | - | 939 |
| Sale of goods and services | - | - | - | - | 1,480 | 679 |
| Investment income | - | - | - | 5,795 | - | 3,453 |
| Miscellaneous income | 1,659 | - | 2,883 | 57 | 452 | 15,395 |
| Authorized capital borrowings | 456 | - | 541 | - | - | 5,795 |
| Interest earned on sinking fund | - | - | - | - | 20,175 | 5,051 |
| | - | - | - | - | 996 | 3,130 |
| | - | - | - | - | - | 1,025 |
| | - | - | - | - | - | 20,175 |
| | - | - | - | - | - | 4,793 |
| | - | - | - | - | - | 748 |
| | 92,830 | 10,637 | 17,908 | 5,852 | 33,948 | 161,175 |
| EXPENDITURES AND OTHER DEDUCTIONS | | | | | | |
| Salaries-academic | 32,505 | 555 | 1,241 | - | - | 34,301 |
| -other instruction and research | 5,369 | 5,203 | 1,260 | - | - | 11,832 |
| -support staff | 26,320 | - | 3,407 | 641 | - | 30,368 |
| Total salaries | 64,194 | 5,758 | 5,908 | 641 | - | 76,501 |
| Employee benefits | 7,771 | 297 | 686 | 75 | - | 8,829 |
| Travel and personnel costs | 2,471 | 1,000 | 1,541 | 29 | - | 7,883 |
| Operating supplies and expenses | 7,366 | 1,212 | 1,725 | 340 | - | 5,041 |
| Equipment and furnishings | 1,040 | 1,169 | 1,079 | 77 | - | 10,643 |
| Equipment and facility rentals | 1,676 | 144 | 402 | 5 | 4,035 | 9,639 |
| Library acquisitions | 2,021 | - | 4 | - | - | 7,400 |
| Utilities | 1,894 | 7 | 58 | - | - | 2,227 |
| Scholarships, fellowships and bursaries | 3,081 | - | 856 | 253 | - | 1,748 |
| Contract services | 1,550 | - | 14 | 181 | - | 2,025 |
| Professional fees | 1,210 | 248 | 613 | 3 | - | 2,212 |
| Renovations and alterations | 426 | 2 | 56 | 366 | - | 3,939 |
| Debt servicing - interest | - | - | - | 626 | - | 3,916 |
| - principal | - | - | - | 111 | - | 1,745 |
| Cost of goods sold | - | - | - | 3,077 | - | 1,746 |
| Capital acquisitions | - | - | - | - | - | 2,074 |
| Internal cost allocations | (942) | 213 | 723 | - | 118 | 1,907 |
| External cost recoveries | (2,048) | - | (280) | 6 | - | 814 |
| | 91,710 | 10,050 | 13,385 | 5,766 | 37,546 | 7,774 |
| NET INCREASE (DECREASE) DURING YEAR | 1,120 | 587 | 4,523 | 86 | (3,598) | 6,944 |
| FUND BALANCES AT BEGINNING OF YEAR (NOTE 10) | 141 | 2,545 | 4,545 | 140 | 1,767 | 2,105 |
| | | | | | | 111 |
| | | | | | | 3,077 |
| | | | | | | 22,040 |
| | | | | | | - |
| | | | | | | (2,354) |
| | | | | | | 158,457 |
| | | | | | | 15,700 |
| | | | | | | 9,138 |
| | | | | | | 6,586 |
| TRANSFERS AND APPROPRIATIONS | | | | | | |
| Interfund transfers (Note 8) | (1,360) | 41 | (1,343) | 4 | 2,658 | - |
| Transfer to non expendable funds (Note 9) | - | - | (403) | - | - | (403) |
| Reserves transfers (Statement 2) | - | - | (805) | - | - | (805) |
| Change in appropriations (Statement 2) | 198 | - | - | 35 | 914 | 1,147 |
| | (1,162) | 41 | (2,551) | 39 | 3,572 | (61) |
| FUND BALANCES AT END OF YEAR | 99 | \$ 3,173 | \$ 6,517 | \$ 265 | \$ 1,741 | \$ 11,795 |
| | | | | | | \$ 9,138 |

S I M O N F R A S E R U N I V E R S I T YStatement 4

STATEMENT OF CHANGES IN NON-EXPENDABLE FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 1989
(thousands of dollars)

| | <u>Endowment</u> | <u>Student Loan</u> | <u>Totals</u> <u>1989</u> | <u>1988</u> (Note 10) |
|---|------------------|-------------------------|------------------------------|--------------------------|
| GIFTS, GRANTS AND BEQUESTS | \$ 1,795 | \$ - | \$ 1,795 | \$ 1,457 |
| TRANSFER FROM UNAPPROPRIATED EXPENDABLE FUNDS | <u>403</u> | <u>-</u> | <u>403</u> | <u>329</u> |
| Increase during the year | 2,198 | - | 2,198 | 1,786 |
| FUND BALANCES AT BEGINNING OF YEAR (NOTE 10) | <u>7,868</u> | <u>83</u> | <u>7,951</u> | <u>6,165</u> |
| FUND BALANCES AT END OF YEAR | <u>\$10,066</u> | <u>\$ 83</u> | <u>\$10,149</u> | <u>\$ 7,951</u> |

S I M O N F R A S E R U N I V E R S I T YStatement 5

STATEMENT OF CHANGES IN EQUITY IN PLANT ASSETS
FOR THE YEAR ENDED MARCH 31, 1989
(thousands of dollars)

| | <u>1989</u> | <u>1988</u> |
|---|------------------|------------------|
| EQUITY INCREASED BY | | |
| Additions to plant assets | | |
| Capitalized acquisitions | | |
| -Capital Fund | \$ 22,040 | \$ 3,870 |
| Equipment expensed when acquired | | |
| -General Operating Fund | 1,040 | 1,928 |
| -Sponsored Research Fund | 1,169 | 994 |
| -Specific Purpose Fund | 1,079 | 952 |
| -Ancillary Enterprises Fund | 77 | 30 |
| -Capital Fund | 4,035 | 3,635 |
| Library acquisitions expensed when acquired | | |
| -General Operating Fund | 2,021 | 2,064 |
| -Specific Purpose Fund | <u>4</u> | <u>25</u> |
| | 31,465 | 13,498 |
| Repayment of capital borrowings | 3,320 | 1,357 |
| Interest earned on sinking fund | <u>996</u> | <u>748</u> |
| | <u>35,781</u> | <u>15,603</u> |
| EQUITY DECREASED BY | | |
| Authorized capital borrowings | 20,175 | 4,793 |
| Equipment written off | 2,519 | 1,928 |
| Library dispositions | <u>45</u> | <u>53</u> |
| | <u>22,739</u> | <u>6,774</u> |
| Net increase during year | 13,042 | 8,829 |
| BALANCE AT BEGINNING OF YEAR | <u>119,888</u> | <u>111,059</u> |
| BALANCE AT END OF YEAR | <u>\$132,930</u> | <u>\$119,888</u> |

S I M O N F R A S E R U N I V E R S I T YNOTES TO FINANCIAL STATEMENTSFOR THE YEAR ENDED MARCH 31, 19891) SIGNIFICANT ACCOUNTING POLICIESa) General

These financial statements have been prepared with reference to accounting principles described in the "Guide to Accounting Principles, Practices and Standards of Disclosure for Universities and Colleges of Canada", published by the Canadian Association of University Business Officers (CAUBO).

b) Fund Accounting

Fund accounting procedures are employed in order to recognize restrictions placed on the use of resources by donors, funding agencies, or the Board of Governors. Separate accounts are maintained for each fund to facilitate observance of these restrictions. For financial reporting purposes, the Balance Sheet combines the assets and liabilities of all funds.

Funds are classified as expendable or non-expendable. Expendable funds may be expended within applicable restrictions. Non-expendable funds are held to generate investment income or to provide loans to students.

Expendable funds:

- General Operating

Funds received for general operations of the University under the direction of the Board of Governors.

- Sponsored Research

Funds received for the support of research activities in the form of restricted grants, contracts and gifts.

- Specific Purpose

Funds received for the support of specified projects and programs which may be restricted by external agencies or by the Board of Governors.

- Ancillary Enterprises

Funds received from the operation of the residences and bookstore, which provide goods and services supplementary to the primary functions of teaching and research. These enterprises operate on a self-supporting basis.

- Capital

Funds received for the acquisition of capital assets, renovations, and repayment of long term debt.

Non-expendable funds

- Endowment

Funds received through gifts and grants, and some transfers of interest earnings from expendable funds, to be maintained as principal to generate income for defined purposes.

- Student Loan

A revolving fund from which short-term loans are made to students.

c) Accrual Accounting

The University follows the accrual basis of accounting. Revenue is recorded when receivable and expenditures are recorded when goods or services are received, except that pension payments resulting from early retirement agreements are expensed as payments are made to retired employees or as annuities are purchased on their behalf and no accrual is made for salaried employees' vacation pay.

d) Reserves

Reserves are established to provide funding for contractual obligations to external parties in subsequent fiscal years and are reduced when payments have been made.

e) Appropriations

Appropriations are established by the Board of Governors to provide for specific requirements in subsequent fiscal years and are released when the related expenditures have been made.

f) Investments

Investments are recorded at cost or, where donated, at fair market value. Gains and losses on sales of investments are recognized in the year of disposal and are included in investment income.

g) Inventories

Inventories of supplies are stated at cost. Inventories of merchandise held for resale are stated at the lower of cost and net realizable value.

h) Donationsi) Gifts-In-Kind

Goods and services donated to the University are valued at fair market value but are not recorded in the financial statements:

| | <u>1989</u> | <u>1988</u> |
|--------------|------------------------|-------------|
| | (thousands of dollars) | |
| Equipment | \$127 | \$66 |
| Library | 15 | 11 |
| Works of Art | <u>30</u> | <u>18</u> |
| Total | <u>\$172</u> | <u>\$95</u> |

ii) Pledges

Promises made by donors to the University for donations to be received in future years are estimated at \$6,566,000. (\$5,597,000 in 1988.) Pledges are not recorded in the financial statements.

i) Plant Assets

Plant assets expenditures for land and buildings, equipment, library acquisitions, roads and parking lots, and leasehold improvements in all funds are recorded at cost in the Statement of Changes in Unappropriated Expendable Fund Balances. They are also recorded as assets on the Balance Sheet, except that renovations under \$10,000 are not capitalized. Capital leases are not considered to be material and are not recorded as assets. The cost of library acquisitions does not include expenditures for cataloguing and shelving.

The original cost is deleted from the asset and equity accounts as follows:

- land and buildings are deleted upon disposal.
- equipment is deemed to have an average useful life of eight years and is written off in the ninth year.
- library holdings are reduced by estimated disposals and losses during the year.

Land granted or donated to the University is recorded at \$1 per grant or donation and land acquired by the University is recorded at its fair market value at the time of acquisition. The current fair market value of the land is estimated to be \$55,000,000.

j) Capital Transactions

Borrowings authorized by the Province of British Columbia for capital expenditures are shown under "Revenues and Other Additions" of the Capital Fund. Payments for plant assets, equipment and furnishings, library acquisitions, debt servicing and capital acquisitions are shown under "Expenditures and Other Deductions".

k) Equity in Plant Assets

The equity in plant assets is increased as resources are used to pay for plant assets or to repay borrowings incurred for asset acquisitions. It is reduced by disposal of plant assets and write-off of equipment and library holdings.

l) University Interests in WCUMBS and TRIUMF

i) The University is one of five university members of the Western Canadian Universities Marine Biological Society (WCUMBS) which operates a research station at Bamfield, British Columbia. The University's annual operating grant to the Society (1989 - \$137,961, 1988 - \$137,961) is recorded as an expenditure from the General Operating Fund. The accounts of WCUMBS are not included in these statements except that initial contributions in the amount of \$347,000 for capital acquisitions are recorded as plant assets on the Balance Sheet.

ii) The University is one of four parties to a joint venture agreement under which research is conducted by University faculty members at the Tri-Universities Meson Facility (TRIUMF) on the University of British Columbia campus and elsewhere. The facility and its operations are funded by federal government grants and the University makes no direct financial contribution. The accounts of TRIUMF are not included in these statements.

iii) There is no expectation of monetary gain to the University from either of these ventures.

2) Long-Term Investments

Long-term investments are comprised of the following:

| | <u>1989</u> | <u>1988</u> |
|----------------------|------------------------|----------------|
| | (thousands of dollars) | |
| Vancouver Foundation | \$4,180 | \$1,975 |
| Other | <u>2,995</u> | <u>354</u> |
| | <u>\$7,175</u> | <u>\$2,329</u> |

Market value of the investments at March 31, 1989 was \$7,544,174 (1988 \$2,655,000). Vancouver Foundation investments represent permanently endowed trust funds held by the Foundation on behalf of the University.

3) Loans Payable

Loans payable consist of:

| | <u>1989</u> | <u>1988</u> |
|-------------------|------------------------|----------------|
| | (thousands of dollars) | |
| Interim financing | \$18,987 | \$5,682 |
| Tenant loan | <u>2,635</u> | <u>1,211</u> |
| | <u>\$21,622</u> | <u>\$6,893</u> |

The interim financing is for capital projects, as authorized by the provisions of the Educational Institution Capital Finance Act and the Financial Administration Act, and will be replaced by long-term debt. The tenant loan is for renovations to the University's Harbour Centre facility.

4) Long-Term Debt

Long-term debt consists of the following:

| | <u>1989</u> | <u>1988</u> |
|---|------------------------|-----------------|
| | (thousands of dollars) | |
| British Columbia Educational Institutions Capital Financing Authority | \$51,539 | \$48,959 |
| Less sinking fund | <u>12,272</u> | <u>10,020</u> |
| | 39,267 | 38,939 |
| Canada Mortgage and Housing Corporation | 3,245 | 3,280 |
| British Columbia School Districts Capital Financing Authority | <u>3,564</u> | <u>3,637</u> |
| | <u>\$46,076</u> | <u>\$45,856</u> |

a. British Columbia Educational Institutions Capital Financing Authority

These debentures are issued to the British Columbia Educational Institutions Capital Financing Authority under the Educational Institution Capital Finance Act, bearing interest at rates from 9.00% to 16.53% and maturing from 1990 to 2008. Payments to the sinking fund, which is held by the Authority, are based on the discounted present values required to fund repayment of the debentures at maturity. The debentures can be recalled by the Authority upon notice of not less than five months. Sinking fund and interest payments are made with funds received from the Province of British Columbia for that purpose. Annual sinking fund and interest payments due within the next five years amount to \$7,624,000 during the fiscal year ending 1990, \$9,686,000 in 1991, \$7,163,000 in each of 1992 and 1993 and \$7,041,000 in 1994.

b. Canada Mortgage and Housing Corporation

| <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Balance Outstanding</u> | | <u>Annual Payments (including</u> |
|------------------------|----------------------|----------------------------|----------------|-----------------------------------|
| | | <u>1989</u> | <u>1988</u> | <u>interest) until maturity</u> |
| (thousands of dollars) | | | | |
| Jan 1, 2017 | 5.375% | \$ 179 | \$ 182 | \$ 12 |
| Jan 1, 2018 | 5.875 | 899 | 911 | 65 |
| Jul 1, 2019 | 6.875 | <u>2,167</u> | <u>2,187</u> | <u>171</u> |
| | | <u>\$3,245</u> | <u>\$3,280</u> | <u>\$248</u> |

The debentures are secured by a floating charge on the Madge Hogarth, Shell House, and Louis Riel student residences respectively. The residences are recorded on the balance sheet at a cost of \$6,142,000.

c. British Columbia School Districts Capital Financing Authority

| <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Balance Outstanding</u> | | <u>Annual Payments (including</u> |
|------------------------|----------------------|----------------------------|-------------|-----------------------------------|
| | | <u>1989</u> | <u>1988</u> | <u>interest) until maturity</u> |
| (thousands of dollars) | | | | |
| Dec 10, 1996 | 9.41% | \$3,564 | \$3,637 | \$415 |

The debenture is secured by a floating charge on the McTaggart Cowan student residence recorded on the balance sheet at a cost of \$4,057,000.

5) Reservesa. Group Insurance

The reserve represents funds designated for potential requirements relating to self-insured group life and long-term disability plans. Current requirements are funded from the General Operating Fund on a cost of claim plus fee for services basis.

b. Retirement Benefits

This reserve provides for early retirement benefit obligations and pension benefit supplements.

c. Lease Commitment

The reserve provides for commitments entered into for the occupancy of the University's Harbour Centre facility which include lease payments, tenant loan payments and a contribution towards operating costs. Lease and tenant loan obligations include annual payments of \$1,140,000 which started in September 1988 increasing to \$1,648,440 over the term of the lease, and a termination payment of \$8,000,000 upon the expiry of the lease in December 2017 or a discounted equivalent of that amount at an earlier date. Funding for this reserve was recorded in Specific Purpose fund revenue in 1987-88.

6) Pension Plans

The University pension plan for academic staff generally provides benefits on a money purchase basis but includes an option to members who were in the plan on March 20, 1973 to choose benefits based on years of service and the average of the highest sixty consecutive months' salary. The latest actuarial valuation as at January 1, 1989 showed an actuarial liability of \$12,274,110 for the formula retirement benefit option and related assets on hand of \$11,846,884.

The University pension plan for administrative and union staff provides benefits based on years of service and the average of the highest sixty consecutive months' salary. The latest actuarial valuation as at January 1, 1989 showed an actuarial liability of \$29,831,828 and assets on hand of \$41,739,813. The surplus is being amortized in accordance with a Board of Governors resolution dated July 29, 1986 which outlines an amortization period of 25 years.

The assets and liabilities of the pension plans are not reflected in the financial statements.

7) Commitments - Capital Fund

Total commitments under contracts for capital projects amounted to \$4,181,000 as at March 31, 1989 (1988 - \$13,532,000).

8) Interfund Transfers

Transfers between funds during the year are summarized as follows (to/from): (thousands of dollars)

| | Operating | Research | Specific Purpose | Ancillary Enterprises | Capital |
|--------------|------------------|-------------|------------------|-----------------------|----------------|
| | \$(1,637) | - | \$103 | - | \$1,534 |
| | 259 | \$41 | (1,446) | - | 1,146 |
| | <u>18</u> | <u>-</u> | <u>-</u> | <u>\$4</u> | <u>(22)</u> |
| Net Transfer | <u>\$(1,360)</u> | <u>\$41</u> | <u>\$(1,343)</u> | <u>\$4</u> | <u>\$2,658</u> |

9) Transfer to Non-Expendable Funds

The transfer of \$402,814 to the non-expendable endowment fund is comprised of transfers from programs (\$77,405) and capitalization of interest earnings (\$325,409).

10) Comparative Figures

a. Certain figures for the prior year asset categories have been reclassified in order to reflect the presentation adopted for the current year.

b. In the prior year, certain gifts designated for capital expenditures were recorded as revenues in the Specific Purpose and Endowment funds. In order to properly classify these gifts, the prior year figures have been adjusted, increasing Capital fund revenues by \$320,775 and decreasing Specific Purpose and Endowment funds revenues by \$10,183 and \$310,592 respectively.

UNIVERSITY OF BRITISH COLUMBIA



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Chairman and Members of the Board of Governors of
The University of British Columbia, and

To the Minister of Advanced Education and Job Training
Province of British Columbia:

I have examined the balance sheet of The University of British Columbia as at
March 31, 1989 and the following statements for the year then ended:

- Statement 2 - Statement of changes in appropriated fund balances.
- Statement 3 - Statement of changes in unappropriated fund balances.
- Statement 4 - Statement of changes in endowment principal and student
loan fund balances.
- Statement 5 - Statement of equity in plant assets.

My examination was made in accordance with generally accepted auditing
standards, and accordingly included such tests and other procedures as I
considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of
the University as at March 31, 1989 and the results of its operations and the
changes in its fund balances for the year then ended in accordance with
accounting principles described in note 1 to the financial statements applied on a
basis consistent with that of the preceding year.

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 22, 1989

THE UNIVERSITY OF BRITISH COLUMBIA

BALANCE SHEET
AS AT MARCH 31, 1989
(thousands of dollars)

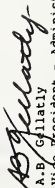
STATEMENT- 1

ASSETS

LIABILITIES AND FUND BALANCES

| | 1989 | 1988 | | 1989 | 1988 |
|---|-----------|-----------|--|-----------|-----------|
| Cash and bank deposit notes | \$ 2,513 | \$ 490 | Accounts payable and accrued liabilities | \$ 43,081 | \$ 23,494 |
| Investments at cost | 178,583 | 160,770 | Deferred income - fees and services | 14,891 | 34,100 |
| (market value - \$180,698; 1988 \$162,340) | | | Loans and promissory notes - (Note 3) | 10,609 | 14,789 |
| Accounts receivable | 43,561 | 27,112 | Long-term debt - (Note 3) | \$212,640 | 160,581 |
| Prepaid expenses | 519 | 649 | Less sinking funds | 34,800 | 201,964 |
| Student loans receivable | 486 | 520 | Insurance reserve - (Note 7) | 246,421 | 201,964 |
| Inventories | 7,869 | 7,762 | Fund balances | 8,214 | 7,031 |
| Investment in teaching facilities at associated hospitals | \$ 11,073 | | Expendable | | |
| Less amortization | 3,383 | | Appropriated (Statement 2) | | |
| Plant assets (Statement 5) | | | General purpose operating | 2,752 | 3,381 |
| Land and site improvements | 37,706 | 35,415 | Ancillary enterprises | 2,680 | 1,272 |
| Buildings | 411,448 | 387,678 | Capital | 9,586 | 8,976 |
| Equipment and furnishings | 119,969 | 117,016 | Unappropriated (Statement 3) | 15,018 | 13,629 |
| | | | General purpose operating | 269 | 223 |
| | | | Specific purposes | 19,950 | 26,630 |
| | | | Sponsored research | 22,591 | 17,365 |
| | | | Ancillary enterprises | 30 | 239 |
| | | | Capital | 2,091 | 2,462 |
| | | | | 44,931 | 46,919 |
| | | | Non-Expendable (Statement 4) | | |
| | | | Endowment principal | 108,763 | 102,256 |
| | | | Student loan | 1,365 | 1,359 |
| | | | | 110,128 | 103,615 |
| | | | Equity in plant assets (Statement 5) | 385,632 | 372,806 |
| | \$810,344 | \$745,964 | | \$810,344 | \$745,964 |

Approved


P. Brown
Chairman, Board of Governors

A.B. Giliaty
Vice-President - Administration and Finance

(See accompanying notes to the financial statements)

Balance Sheet

THE UNIVERSITY OF BRITISH COLUMBIA
STATEMENT OF CHANGES IN APPROPRIATED FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 1989

STATEMENT 2

(thousands of dollars)

| | <u>General Purpose Operating</u> | | <u>Ancillary Enterprises</u> | | <u>Capital</u> | |
|--|--------------------------------------|-----------------|----------------------------------|-----------------|-----------------|-----------------|
| | <u>1989</u> | <u>1988</u> | <u>1989</u> | <u>1988</u> | <u>1989</u> | <u>1988</u> |
| Balance, beginning of year | \$ 3,381 | \$ 1,035 | \$ 1,272 | \$ 3,898 | \$ 8,976 | \$ 5,949 |
| Deduct: | | | | | | |
| Released from prior years' appropriations (Statement 3) | <u>3,381</u> | <u>1,035</u> | <u>1,272</u> | <u>3,898</u> | <u>8,976</u> | <u>5,949</u> |
| | - | - | - | - | - | - |
| Add: | | | | | | |
| Appropriations for the year (Statement 3) | <u>2,752</u> | <u>3,381</u> | <u>2,680</u> | <u>1,272</u> | <u>9,586</u> | <u>8,976</u> |
| Balance, end of year | <u>\$ 2,752</u> | <u>\$ 3,381</u> | <u>\$ 2,680</u> | <u>\$ 1,272</u> | <u>\$ 9,586</u> | <u>\$ 8,976</u> |

Detail of year end balance

| | | | | | | |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Faculties and Department | | | | | | |
| - operating expenses | \$ 602 | \$ 1,379 | \$ - | \$ - | \$ - | \$ - |
| - non-credit courses | 216 | 941 | - | - | - | - |
| Renovation projects | - | - | - | 1,272 | - | - |
| Library books and periodicals | 434 | 353 | - | - | - | - |
| Equipment | 1,500 | 708 | - | - | 607 | 1,071 |
| Capital development and facilities | <u>-</u> | <u>-</u> | <u>2,680</u> | <u>-</u> | <u>8,979</u> | <u>7,905</u> |
| | <u>\$ 2,752</u> | <u>\$ 3,381</u> | <u>\$ 2,680</u> | <u>\$ 1,272</u> | <u>\$ 9,586</u> | <u>\$ 8,976</u> |

(See accompanying notes to the financial statements)

Statement of Changes in Appropriated
Fund Balances

STATEMENT 3

THE UNIVERSITY OF BRITISH COLUMBIA
STATEMENT OF CHANGES IN UNAPPROPRIATED FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 1989
(thousands of dollars)

| | General Purpose | | Specific Purposes | | Sponsored Research | | Ancillary Enterprises | | Capital | | Totals | |
|--|-------------------|----------|-------------------|-----------|--------------------|------|-----------------------|------|---------------|-----------|-----------|------|
| | 1989 | 1988 | 1989 | 1988 | 1989 | 1988 | 1989 | 1988 | 1989 | 1988 | 1989 | 1988 |
| | (Schedule 1 & 2)* | | (Schedule 4)* | | (Schedule 5)* | | (Schedule 6)* | | (Schedule 7)* | | | |
| Revenue and other additions: | | | | | | | | | | | | |
| Government grants and contracts | \$ - | \$ - | \$ 3,628 | \$ 51,327 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 54,955 | \$ 50,599 | |
| Government of Canada | | | | | | | | | | | | |
| Province of British Columbia | 194,106 | 183,301 | - | - | - | - | - | - | - | 194,106 | 183,301 | |
| Base operating | 2,768 | 2,555 | 5,515 | 434 | - | - | - | - | - | 8,717 | 9,800 | |
| Designated | - | - | 6,742 | 8,391 | - | - | - | - | 47,576 | 62,709 | 42,278 | |
| Other | - | - | - | 1 | 15 | - | - | - | - | 16 | 36 | |
| Municipalities | - | - | 116 | 111 | - | - | - | - | - | 227 | 355 | |
| Other governments | - | - | 770 | 1,878 | - | - | - | - | - | 2,648 | 1,988 | |
| Foreign governments | - | - | 294 | - | - | - | - | - | - | 50,410 | 45,402 | |
| Student fees | 49,018 | 44,182 | 4,810 | 17,760 | 1,098 | - | - | - | 2,834 | 25,404 | 21,017 | |
| Bequests, donations and non government grants | - | - | - | - | 53,771 | - | - | - | - | 54,946 | 50,398 | |
| Sales and services | 944 | 1,199 | - | 231 | - | - | - | - | 1,030 | 14,322 | 14,970 | |
| Income from investments | 3,362 | 2,882 | 10,067 | - | 511 | - | - | - | 4,818 | 4,970 | 4,780 | |
| Loans | - | - | - | - | - | - | - | - | - | - | - | |
| | 250,198 | 234,119 | 31,943 | 80,147 | 55,380 | - | - | - | 56,258 | 473,926 | 424,476 | |
| Expenses and other deductions: | | | | | | | | | | | | |
| Salaries - Academic | 105,398 | 97,021 | 8,136 | 13,793 | - | - | - | - | - | 127,327 | 116,083 | |
| - Student service | 5,994 | 5,641 | 3,530 | 8,284 | - | - | - | - | - | 17,808 | 15,918 | |
| - Staff | 70,756 | 67,482 | 6,510 | 17,629 | 13,758 | - | 955 | - | 955 | 109,608 | 102,031 | |
| | 182,148 | 170,144 | 18,176 | 39,706 | 13,758 | - | 955 | - | 955 | 254,743 | 234,032 | |
| Benefits | 23,104 | 21,097 | 1,083 | 2,634 | 1,296 | - | - | - | 5 | 28,122 | 25,424 | |
| Travel, field trips, moving | 4,252 | 3,739 | 2,130 | 5,027 | - | - | - | - | 115 | 11,524 | 10,089 | |
| Library acquisitions | 5,693 | 5,162 | 481 | 363 | - | - | - | - | 6,537 | 5,995 | 5,995 | |
| Operational supplies and expenses | 19,810 | 17,496 | 928 | 16,322 | 6,210 | - | - | - | 48,687 | 42,560 | 42,560 | |
| Furniture and equipment | 5,016 | 3,538 | 3,773 | 7,066 | 1,102 | - | - | - | 1,241 | 18,198 | 19,709 | |
| Utilities | 8,163 | 8,177 | 184 | 831 | 1,410 | - | - | - | 214 | 10,802 | 10,593 | |
| Renovations and alterations | 659 | 490 | 2,260 | 138 | 1,642 | - | - | - | 2,209 | 6,908 | 8,250 | |
| Scholarships, fellowships and bursaries | 3,973 | 3,489 | 4,099 | 609 | - | - | - | - | 8,681 | 7,942 | 7,942 | |
| Professional fees | 2,645 | 2,369 | 2,669 | 1,690 | - | - | - | - | 3,016 | 10,020 | 6,853 | |
| Cost of goods sold | - | - | - | - | 21,219 | - | - | - | - | 21,219 | 17,451 | |
| Debt servicing | - | - | - | - | 6,455 | - | - | - | 21,267 | 27,722 | 26,207 | |
| Building contracts | - | - | - | - | - | - | - | - | 22,969 | 3,110 | - | |
| Internal cost recoveries | (1,943) | (1,609) | 214 | 1,185 | - | - | - | - | - | - | - | |
| External cost recoveries | (4,447) | (3,695) | - | - | - | - | - | - | - | (4,447) | (3,695) | |
| | 249,073 | 230,397 | 35,997 | 75,571 | 53,636 | - | - | - | 57,408 | 471,685 | 414,520 | |
| Transfers and appropriations: | | | | | | | | | | | | |
| Expended from prior years' appropriations | 3,381 | 1,035 | - | - | 1,272 | - | - | - | 8,976 | 13,629 | 10,882 | |
| (Statement 2) | (1,708) | (606) | (2,626) | 650 | (545) | - | - | - | 1,389 | (2,840) | (5,871) | |
| Interfund transfers (Note 2) | (2,752) | (3,381) | - | - | (2,680) | - | - | - | (9,586) | (15,018) | (13,629) | |
| Appropriations for the year (Statement 2) | (1,079) | (2,952) | (2,626) | 650 | (1,953) | - | - | - | 779 | (4,229) | (8,618) | |
| | 46 | 770 | (6,680) | 5,226 | (209) | - | - | - | (371) | (1,988) | 1,338 | |
| Net increase (decrease) during the year | 223 | (547) | 26,630 | 17,365 | 239 | - | - | - | 2,462 | 46,919 | 45,581 | |
| Unappropriated Fund balance, beginning of year | - | - | - | - | - | - | - | - | - | - | - | |
| Unappropriated Fund balance, end of year | \$ 269 | \$ 223 | \$ 19,950 | \$ 22,591 | \$ 30 | - | - | - | \$ 2,091 | \$ 44,931 | \$ 46,919 | |

(Statement 1) (Statement 1)

(See accompanying notes to the financial statements)

* Schedules referred to have been prepared without audit.

Statement of Changes in Unappropriated Fund Balances

THE UNIVERSITY OF BRITISH COLUMBIASTATEMENT OF CHANGES IN ENDOWMENT PRINCIPAL AND STUDENT LOAN FUND BALANCESFOR THE YEAR ENDED MARCH 31, 1989

STATEMENT 4

(thousands of dollars)

| | Endowment Principal | Student Loan | Total | |
|---------------------------------|------------------------|-----------------|------------------|------------------|
| | | | 1989 | 1988 |
| Revenue and other additions: | | | | |
| Gifts and bequests | \$ 3,618 | \$ - | \$ 3,618 | \$ 7,984 |
| Interest on loans | - | 9 | 9 | 14 |
| Income from investments | <u>-</u> | <u>50</u> | <u>50</u> | <u>76</u> |
| | 3,618 | 59 | 3,677 | 8,074 |
| Expenses and other deductions: | | | | |
| Loans written off | <u>-</u> | <u>4</u> | <u>4</u> | <u>4</u> |
| Change in year | 3,618 | 55 | 3,673 | 8,070 |
| Fund balance, beginning of year | 102,256 | 1,359 | 103,615 | 89,674 |
| Interfund transfers (Note 2) | <u>2,889</u> | (<u>49</u>) | <u>2,840</u> | <u>5,871</u> |
| Fund balance, end of year | <u>\$108,763</u> | <u>\$ 1,365</u> | <u>\$110,128</u> | <u>\$103,615</u> |

(Statement 1) (Statement 1)

(See accompanying notes to the financial statements)

Statement of Changes in Endowment Principal
and Student Loan Fund Balances

THE UNIVERSITY OF BRITISH COLUMBIA
STATEMENT OF EQUITY IN PLANT ASSETS
FOR THE YEAR ENDED MARCH 31, 1989

| | (thousands of dollars) | | | | Total | |
|--|------------------------|-----------------------------------|---|-------------------------------------|-----------|-----------|
| | Plant Assets | Ancillary Enterprises (\$ 56,749) | Financed by Authorized Capital Borrowings (\$109,280) | Temporary Cash Resources (\$ 1,274) | 1989 | 1988 |
| Balance, beginning of year | \$540,109 | | | | \$372,806 | \$365,166 |
| Add: | | | | | | |
| Expenditures Capital Funds (Schedule 7) | 57,408 | - | - | - | 57,408 | 40,080 |
| Expenditures non Capital Funds | 16,957 | - | - | - | 16,957 | 14,347 |
| Property Donated | 1,989 | - | - | - | 1,989 | 816 |
| Projects financed internally (Note 5) | - | - | - | - | - | 553 |
| Canada Life Mortgage Services Ltd. - Principal repayment | - | - | 8 | - | 8 | - |
| Canada Mortgage & Housing Corp. - Principal repayment | - | 219 | - | - | 219 | 206 |
| British Columbia Debenture Sinking Fund - Interest earned | - | 177 | 3 | - | 180 | 69 |
| Principal repayment | - | 911 | 336 | - | 1,247 | 911 |
| British Columbia Educational Institutions Capital Financing Authority Sinking Fund - Interest earned | - | - | 2,701 | - | 2,701 | 1,905 |
| Principal repayment | - | - | 3,999 | - | 3,999 | 3,999 |
| Deduct: | | | | | | |
| Renovation and other amounts not capitalized | 10,828 | - | - | - | 10,828 | 9,518 |
| Capital Borrowing & Debt servicing not capitalized | 21,267 | - | - | - | 21,267 | 19,903 |
| Sinking fund increase related to teaching facilities at associated hospitals | - | - | 373 | - | 373 | 513 |
| Equipment write off | 15,245 | - | - | - | 15,245 | 10,958 |
| Building write off | - | - | - | - | - | 225 |
| Net increase in borrowings | - | 5,000 | 19,488 | (319) | 24,169 | 14,131 |
| | 47,340 | 5,000 | 19,861 | (319) | 71,882 | 55,246 |
| Balance, end of year | | | | | | |
| Land and site improvements | \$ 37,706 | | | | | |
| Buildings | 411,448 | | | | | |
| Equipment and furnishings | 119,969 | | | | | |
| | \$569,123 | (\$ 60,442) | (\$122,094) | (\$ 955) | \$385,632 | \$372,806 |

(Statement 1)

(See accompanying notes to the financial statements)

(Statement 1) (Statement 1)
Statement of Equity in Plant Assets

THE UNIVERSITY OF BRITISH COLUMBIA

NOTES TO FINANCIAL STATEMENTSFOR THE YEAR ENDED MARCH 31, 1989NOTE 1 SIGNIFICANT ACCOUNTING POLICIES(a) General

These financial statements have been prepared with reference to the "Guide to Accounting Principles, Practices and Standards of Disclosure for Universities and Colleges of Canada", published in 1984 by the Canadian Association of University Business Officers.

(b) Fund Accounting

Transactions of the University are accounted for by fund accounting procedures in order to recognize various restrictions imposed on the use of available resources. Under these procedures, revenues and their related expenses are accounted for in separate funds in accordance with objectives specified by donors, limitations and restrictions imposed by sources outside the University, and determinations made by the Board of Governors.

For financial statement reporting purposes the Balance Sheet combines the assets and liabilities of all funds. These funds are either expendable or non-expendable. An expendable fund is one that may be used in its entirety within the restrictions established by the donor or agency providing the funds. A non-expendable fund is one in which at least the original fund balance cannot be expended.

The statements of changes in fund balances show the total income and expenses of the University, after elimination of inter-fund transactions. The University has classified accounts with similar characteristics into major funds as follows:

- the General Purpose Operating Fund consists of those revenues and expenses used in the general operations of the University.

- the Specific Purposes Fund accounts for monies received for specific purposes as stipulated by the donors and includes income earned on the Endowment Principal Fund.
- the Sponsored Research Fund accounts for monies received for research or related activities as approved by government granting agencies, research institutes and other public and private organizations.
- Ancillary Enterprises provide goods and services to the University community and are expected to operate on a break-even basis. Any deficits must be recovered from future operations and surpluses benefit future operations. These enterprises are assessed most overhead costs associated with their operations including payments of principal and interest on all long-term debt. Capital additions for these operations are recorded in the statement of changes in capital fund balances in the year in which they are incurred and are included as capital assets, at cost, on the balance sheet.
- the Capital Fund includes gifts, grants, interest and authorized capital borrowing received for the purpose of acquiring capital assets including those pertaining to ancillary enterprises. These funds may also be used for major renovations, alterations and capital project administrative costs.
- the Student Loan Fund includes gifts and bequests which are used for the purpose of providing loans to students.
- the Endowment Principal Fund includes gifts and bequests received with the stipulation that these funds be invested and the income earned be expended for designated purposes.

(c) Accrual Accounting

The University follows the accrual basis of accounting as recommended by the Canadian Association of University Business Officers by recording income when earned and expenses when materials or services are received, except that payments resulting from early retirement agreements are expensed as payments are made. Commitments are not included in expenses.

(d) Appropriations

The University maintains a general operating budget programme which, subject to annual approval of the Board of Governors, allows faculties to carry forward unexpended funds into the subsequent fiscal year up to a maximum of 3% of the budget allocation for the

current year. In addition, the University makes appropriations at the fiscal year end for acquisition of plant assets, replacement of equipment and furnishings, renovations, and for outstanding commitments on library acquisitions.

(e) Inventories

Inventories of merchandise held for resale are stated at the lower of cost and net realizable value. Supplies inventories are recorded at cost.

(f) Investment in Teaching Facilities at Associated Hospitals

The investment represents the funds advanced for teaching facilities at associated hospitals, for which the University has no legal ownership. This investment is being amortized by an amount equal to the contribution to the sinking fund to retire the related long-term debt.

(g) Plant Assets

Expenditures for the acquisition of plant assets are shown on Statement 3 according to the source of funding from which the expenditures were incurred. All plant assets are then shown on the Balance Sheet at cost. Plant assets that are donated for use in operations are recorded directly on the Balance sheet at market value at date of acquisition. In accordance with approved university accounting principles, depreciation of buildings and equipment is not recorded. However, equipment is assumed to have an average useful life of eight years and is deleted as a plant asset entirely in the ninth year. The campus land which was Crown-granted to the University in 1910 is recorded at \$1.

(h) Library Acquisitions

Library books and periodicals are expensed in the year of acquisition.

(i) Internal Financing

The University follows a practice of making temporary cash advances to operating departments in order to finance the acquisition of certain plant assets over a period of years. As these advances are recovered the appropriate funds are charged and the repayments are recorded as equity in plant assets. Interest is charged to the fund based on the rate of return on investments held for general purposes. (See Note 5.)

(j) Investments

Investments are recorded at acquisition cost. Gains or losses on sales of investments are recognized in the year of disposal and are included in income from investments.

(k) Endowment Principal

The balance of endowment principal on the University's books at March 31, 1989 amounts to \$108,763,299. Annual income earned on this sum is used for a variety of purposes as prescribed by the terms of each endowment. In addition, the Vancouver Foundation has a number of endowment funds held for the benefit of the University totalling \$4,793,767, of which \$2,695,183 was provided by U.B.C. The income, which amounted to \$458,841, was paid to the University for specific purposes. Funds managed by the Vancouver Foundation are not under the University's ownership or control.

(l) Campus Organizations, Agencies and Foundations

The financial statements of The University of British Columbia include the San Rafael Research Foundation and the Peter Wall Foundation but do not include the operating income and expenses of the University Hospital, Aquatic Centre, Thunderbird Winter Sports Centre, Faculty Club, Thea Koerner House Graduate Student Centre or Tri-Universities Meson Facility (Triumpf), but buildings and initial contents are included in the balance sheet.

(m) Joint Ventures

(i) The University is one of five university members of the Western Canadian Universities Marine Biological Society which operates a research station at Bamfield, B.C. The University's annual operating grant to the Society (1989 - \$148,961; 1988 - \$137,961) is recorded as an expenditure from the General Purpose Operating Fund.

(ii) The University is one of four university members of a consortium which manages the Tri-Universities Meson Facility (Triumpf) at the University of British Columbia. The facility is funded almost entirely by Federal Government grants and the University makes no direct financial contribution.

No monetary gain is expected from these joint ventures.

NOTE 2 INTERFUND TRANSFERS

Interfund transfers comprise the following:

| <u>Fund</u> | <u>Increased</u> | <u>Decreased</u> | <u>Net</u> | <u>Explanation</u> |
|------------------------------|--------------------|--------------------|-------------|------------------------------------|
| General Purpose Operating \$ | | \$ 374,000 | \$ | To Specific Purposes - Salary |
| | | 96,950 | | To Sponsored Research |
| | | 237,189 | | To Capital |
| | | <u>1,000,000</u> | | To Endowment |
| | <u>-</u> | <u>1,708,139</u> | (1,708,139) | |
| Specific Purposes | 374,000 | | | From General Purposes Operating - |
| | 48,839 | | | Commerce Non-Credit Courses |
| | | 218,875 | | From Loan Reclassification |
| | | 135,000 | | To Sponsored Research |
| | | 269,577 | | To Sponsored Research |
| | | 15,000 | | To Ancillary Enterprises |
| | | 591,971 | | To Capital |
| | | 1,282,786 | | To Endowment |
| | | <u>535,550</u> | | To Endowment |
| | <u>422,839</u> | <u>3,048,759</u> | (2,625,920) | |
| Sponsored Research | 96,950 | | | From General Purposes Operating - |
| | 218,875 | | | Commerce Non-Credit Courses |
| | 135,000 | | | From Specific Purposes Operating - |
| | | | | Killam Awards Reclassified |
| | | | | From Specific Purposes to cover |
| | | | | research expenses in the Killam |
| | | | | Funds |
| | 269,577 | | | From Specific Purposes - discre- |
| | | 70,694 | | tionary transfers |
| | | | | To Endowment |
| | <u>720,402</u> | <u>70,694</u> | 649,708 | |
| Ancillary Enterprises | 15,000 | | | From Specific Purposes donations |
| | | 559,998 | | To Capital |
| | <u>15,000</u> | <u>559,998</u> | (544,998) | |
| Capital | 237,189 | | | From General Purposes Operating |
| | | | | for development |
| | 559,998 | | | From Ancillary Enterprises for |
| | | | | Parkade construction |
| | 591,971 | | | From Specific Purposes for |
| | | | | renovations Cecil Green Park |
| | <u>1,389,158</u> | <u>-</u> | 1,389,158 | |
| Endowment | 1,000,000 | | | From General Purposes Operating - |
| | | | | Commerce Non-Credit Courses |
| | 1,282,786 | | | From Specific Purposes unexpended |
| | | | | Endowment Funds income capit- |
| | | | | alized |
| | 535,550 | | | From Specific Purposes discre- |
| | | | | tionary transfer |
| | 70,694 | | | From Sponsored Research - |
| | | | | discretionary transfer |
| | <u>2,889,030</u> | <u>-</u> | 2,889,030 | |
| Loan | <u>-</u> | <u>48,839</u> | (48,839) | To Specific Purposes |
| | <u>\$5,436,429</u> | <u>\$5,436,429</u> | <u>\$ -</u> | |

NOTE 3 LOANS, PROMISSORY NOTES AND LONG-TERM DEBT

| | | <u>Principal</u> | |
|-------------------------------------|--------------|---------------------------|-------------------------|
| | | <u>1989</u> | <u>1988</u> |
| <u>Loans & Promissory Notes</u> | | | |
| <u>Loans</u> | | | |
| Under the Educational Institution | | | |
| Capital Finance Act | | \$ 8,384,946 | \$ 12,189,000 |
| <u>Promissory Notes</u> | | | |
| To the Province of British Columbia | | <u>2,225,000</u> | <u>2,600,000</u> |
| (Statement 1) | | <u>\$ 10,609,946</u> | <u>\$ 14,789,000</u> |
| | | | |
| | | <u>Annual Payments</u> | <u>Principal</u> |
| | | <u>Including Interest</u> | |
| | | <u>1989/90</u> | <u>1989</u> <u>1988</u> |
| <u>Long-term Debt</u> | | | |
| Canada Mortgage and | | | |
| Housing Corporation | | | |
| 5.125% to 7.875% | | | |
| due 2012 to 2023 inclusive | \$ 1,516,555 | \$ 19,722,152 | \$ 19,940,781 |
| British Columbia Educational | | | |
| Institutions Capital Financing | | | |
| Authority 9.000% to 17.510% | | | |
| due 1990 to 2008 inclusive | 22,623,348 | 145,844,060 | 126,214,060 |
| Province of B.C. Debenture | | | |
| 8.39% to 10.31% due 1990 | | | |
| to 2008 inclusive | 5,503,277 | 45,100,000 | 40,100,000 |
| Canada Life Mortgage | | | |
| Services Ltd. | | | |
| 11.125% due 1991 | 116,536 | 973,824 | - |
| Forgiveable loan from | | | |
| Private Donor due 1994 | | <u>1,000,000</u> | <u>1,000,000</u> |
| (Statement 1) | | <u>\$212,640,036</u> | <u>\$187,254,841</u> |

Under the authority of the Educational Institution Capital Finance Act, the University has financed certain capital facilities of the University and teaching facilities at associated hospitals with bank demand loans. These loans are then refinanced through debentures issued by the University to the British Columbia Educational Institutions Capital Financing Authority (B.C.E.I.C.F.A.). Funds are received from the Province of British Columbia to fully meet the interest and sinking fund payments. The actual payments to the sinking fund held by the B.C.E.I.C.F.A. are based on the discounted present values required to fully fund the repayment of the debentures by their respective maturity dates. These debentures can be recalled by the B.C.E.I.C.F.A. by giving not less than five months notice in writing.

NOTE 4 COMMITMENTS

There are commitments under capital contracts at March 31, 1989 of \$4,552,149 (1988 - \$12,676,932).

A number of early termination arrangements have been made with academic and support staff which involve a commitment of approximately \$2,183,779 (1988 - \$4,440,000). These commitments are payable in subsequent years.

NOTE 5 ADVANCES FOR PLANT ASSETS

The University has utilized temporary cash resources to finance the purchase of plant assets as follows:

| | <u>April 1, 1988</u> | <u>Repayment</u> | <u>Advances</u> | <u>March 31, 1989</u> |
|----------------------------|----------------------|-------------------|------------------|-----------------------|
| Forestry Container Nursery | \$ 80,603 | \$ 80,603 | \$ - | \$ - |
| Tennis Centre | 218,496 | - | - | 218,496 |
| Satellite Communications | | | | |
| System | 77,014 | 7,995 | - | 69,019 |
| Bookstore Computer | 376,489 | 122,890 | - | 253,599 |
| PBX Telex | 58,300 | 48,000 | - | 10,300 |
| Biomedical Equipment | 42,097 | 23,764 | - | 18,333 |
| NMR Spectrometer | 420,767 | 83,000 | - | 337,767 |
| Milk Quota | - | 15,775 | 63,106 | 47,331 |
| | <u>\$1,273,766</u> | <u>\$ 382,027</u> | <u>\$ 63,106</u> | <u>\$ 954,845</u> |

It is anticipated that the total of \$954,845 will be recovered from operating net margins of these activities in future years and will be reflected as equity in plant assets when recovered, except for Milk Quota repayments which will be reflected as an increase in inventory.

NOTE 6 PENSION PLANS

The University has two pension plans which are administered by separate trustees/directors. The faculty pension plan provides benefits on a money purchase basis, with a minimum retirement benefit included therein. The staff pension plan benefits are based on 2% of the average best three years basic salary multiplied by the number of years of contributory service, less an adjustment for Canada Pension Plan contributions.

The University expenses the annual funding installments in each year. Combined with member contributions, both pension plans are operated on an actuarially sound financial basis.

NOTE 7 INSURANCE RESERVE

The insurance reserve consists of six reserves. Five of these total \$7,620,008 and are held for group life, disability and general benefits. The most recent comparison between the commitment as determined by the University's actuaries and the reserve funds on hand was made at March 31, 1988 and at that date the reserve funds were adequate to meet commitments. The sixth reserve of \$594,548 is required to fund the casualty insurance deductible requirements.

NOTE 8 GIFTS-IN-KIND

During fiscal 1988/89 the University received donations of gifts-in-kind with a market value at the date of receipt of \$4,075,568. These gifts are not included in the financial statements.

NOTE 9 DONATION PLEDGES

The estimated realizable value of donations which have been pledged but not received as at March 31, 1989 was \$38,081,432. These pledges are expected to be received by the end of fiscal 1993/94. They are not included in the financial statements.

UNIVERSITY OF VICTORIA



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Chairman and Members of the Board of Governors of
the University of Victoria, and

To the Minister of Advanced Education and Job Training,
Province of British Columbia

I have examined the combined balance sheet of the University of Victoria as at
March 31, 1989 and the following statements for the year then ended:

- Statement 2 - Combined statement of changes in appropriated
expendable funds
- Statement 3 - Combined statement of changes in unappropriated
expendable funds
- Statement 4 - Combined statement of changes in non-expendable
student loan and endowment principal funds
- Statement 5 - Combined statement of changes in equity in plant
assets

My examination was made in accordance with generally accepted auditing
standards, and accordingly included such tests and other procedures as I
considered necessary in the circumstances.

In my opinion, these combined financial statements present fairly the financial
position of the the University as at March 31, 1989 and the results of its
operations and the changes in its fund balances for the year then ended in
accordance with the accounting principles described in note 1 to the combined
financial statements applied on a basis consistent with that of the preceding
year.

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
June 23, 1989

STATEMENT 1

UNIVERSITY OF VICTORIA
COMBINED BALANCE SHEET
As at March 31, 1989 (in thousands of dollars)

| | 1989 | 1988 |
|--|---------|---------|
| ----- | | |
| ASSETS | | |
| Cash and temporary investments | 31,028 | 24,966 |
| Accounts receivable | 4,652 | 4,499 |
| Prepaid expenses | 842 | 460 |
| Inventories | 1,824 | 1,594 |
| Endowment investments (market \$18,485 - 1988 \$17,332) | 17,695 | 16,382 |
| Plant assets | | |
| Land and site improvements | 9,727 | 9,350 |
| Buildings | 91,835 | 90,870 |
| Equipment and furnishings | 41,666 | 38,469 |
| Library holdings | 33,121 | 30,754 |
| ----- | ----- | ----- |
| | 232,390 | 217,344 |
| ===== | | |
| LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 2) | 12,702 | 9,805 |
| Deferred revenue | 875 | 715 |
| Loans payable (Note 3) | 3,980 | 3,815 |
| Long-term debt (Note 4) | 28,632 | 30,193 |
| Group insurance reserves (Note 5) | 1,606 | 1,373 |
| FUND BALANCES | | |
| Expendable funds | | |
| Appropriated (Statement 2) | 7,962 | 8,694 |
| General Operating | 2,201 | 1,568 |
| Ancillary Enterprises | | |
| Unappropriated (Statement 3) | 3 | 3 |
| General Operating | 3,596 | 3,338 |
| Specific Purposes | 3,072 | 2,744 |
| Sponsored Research | 205 | (181) |
| Ancillary Enterprises | 5,813 | 2,831 |
| Capital | | |
| Non-expendable funds (Statement 4) | | |
| Student Loan | 77 | 75 |
| Endowment Principal (Note 6) | 18,350 | 16,569 |
| EQUITY IN PLANT ASSETS (Statement 5) | 143,316 | 135,802 |
| ----- | ----- | ----- |
| | 232,390 | 217,344 |
| ===== | | |

Approved on behalf of
the Board of Governors

I. H. Stewart
I. H. Stewart, O.C.
Chairman, Board of Governors

R. W. McQueen
R. W. McQueen, C.A.
Vice-President, Finance

See accompanying notes
to the financial statements.

UNIVERSITY OF VICTORIA
COMBINED STATEMENT OF CHANGES IN APPROPRIATED EXPENDABLE FUNDS
Year ended March 31, 1989 (in thousands of dollars)

| | Balance beginning of year | Released to meet expenditure | Additions during year | Balance at end of year |
|---|---------------------------------|------------------------------------|-----------------------------|------------------------------|
| ----- | | | | |
| GENERAL OPERATING FUND | | | | |
| Equipment replacement and capital improvements | 248 | 127 | 149 | 270 |
| Audiovisual services | 7 | - | 6 | 13 |
| Chapel | 87 | 64 | 51 | 74 |
| Coin-operated photocopiers | 51 | 370 | 370 | 920 |
| Computing - general | 2,143 | 1,593 | 41 | 467 |
| Computing - Engineering | 426 | - | 123 | 514 |
| Electronic office equipment | 477 | 86 | 12 | 17 |
| FAX equipment | 7 | 2 | 75 | 87 |
| Furniture and carpets | 39 | 27 | 32 | 75 |
| Motor vehicles | 147 | 54 | 10 | 125 |
| Parking services | 45 | 10 | 4 | 39 |
| Photocopy services | 298 | 90 | 93 | 301 |
| Printing and duplicating services | 554 | 293 | 179 | 440 |
| Rental properties | 226 | - | 45 | 271 |
| Stadium | 69 | 58 | 12 | 23 |
| University House | 11 | 1 | 23 | 33 |
| Non-recurring research grants | 70 | 70 | - | - |
| Early retirement commitments | 281 | 281 | - | - |
| Non-recurring expenditures financed from budgetary savings | 3,459 | 3,430 | 2,958 | 2,987 |
| Provincial operating grants designated for future years | - | - | 1,252 | 1,252 |
| Uninsured property losses | 100 | - | 29 | 129 |
| | 8,694 | 6,186 | 5,454 | 7,962 |
| ----- | | | | |
| ANCILLARY ENTERPRISES FUND | | | | |
| Equipment replacement and capital improvements | | | | |
| Bookstore | 478 | 84 | 293 | 687 |
| Food Services | 258 | 11 | 113 | 360 |
| Student residences | 832 | 324 | 646 | 1,154 |
| | 1,568 | 419 | 1,052 | 2,201 |
| ----- | | | | |
| TOTAL APPROPRIATED EXPENDABLE FUNDS | 10,262 | 6,605 | 6,506 | 10,163 |
| ===== | | | | |
| 1988 COMPARATIVE | 10,172 | 5,691 | 5,781 | 10,262 |
| ===== | | | | |

STATEMENT 3

UNIVERSITY OF VICTORIA
COMBINED STATEMENT OF CHANGES IN UNAPPROPRIATED EXPENDABLE FUNDS
Year ended March 31, 1989 (in thousands of dollars)

| | General Operating | Specific Purposes | Sponsored Research | Ancillary Enterprises | Capital | Total 1989 | Total 1988 |
|--|----------------------|----------------------|-----------------------|--------------------------|---------|---------------|---------------|
| REVENUE AND OTHER ADDITIONS | | | | | | | |
| Government grants and contracts-provincial | 64,165 | 3,101 | 231 | - | 11,817 | 79,314 | 69,661 |
| -federal | 304 | 1,104 | 6,201 | - | - | 7,609 | 7,234 |
| -other | 47 | 43 | 86 | - | 25 | 201 | 203 |
| Student fees-credit courses | 14,123 | 1,013 | - | - | - | 15,136 | 13,876 |
| -non credit courses | 927 | 125 | - | - | - | 1,052 | 690 |
| -other | 605 | 9 | - | - | - | 614 | 560 |
| Gifts, grants and bequests | 222 | 920 | 638 | - | 1,175 | 2,955 | 1,604 |
| Sales of services and products | - | - | - | 13,361 | - | 13,361 | 10,850 |
| Investment income | 1,385 | 1,667 | - | 59 | 402 | 3,513 | 2,997 |
| Other revenue | 497 | 4 | 1 | - | 67 | 569 | 679 |
| Authorized capital borrowings | - | - | - | - | 1,255 | 1,255 | 1,759 |
| | 82,275 | 7,986 | 7,157 | 13,420 | 14,741 | 125,579 | 110,113 |
| EXPENDITURE AND OTHER DEDUCTIONS | | | | | | | |
| Salaries-faculty | 30,564 | 1,316 | 477 | - | - | 32,357 | 30,217 |
| -other instruction and research | 3,771 | 1,419 | 2,233 | - | - | 7,423 | 7,147 |
| -support staff | 23,708 | 1,273 | 94 | 3,895 | 174 | 29,144 | 26,178 |
| Total salaries | 58,043 | 4,008 | 2,804 | 3,895 | 174 | 68,924 | 63,542 |
| Employee benefits | 7,006 | 248 | 164 | 300 | - | 7,718 | 7,096 |
| Travel | 1,968 | 872 | 747 | 22 | - | 3,609 | 3,057 |
| Library acquisitions | 2,511 | 145 | 40 | - | - | 2,696 | 2,519 |
| Supplies and expenses | 6,850 | 1,057 | 1,253 | 1,205 | 896 | 11,261 | 11,034 |
| Equipment additions and replacements | 5,091 | 104 | 914 | 301 | 2,228 | 8,638 | 5,608 |
| Equipment rental and maintenance | 804 | 11 | 25 | 38 | 1 | 879 | 926 |
| Utilities | 1,883 | 7 | 7 | 478 | - | 2,375 | 2,251 |
| Scholarships, fellowships and bursaries | 1,829 | 1,659 | 686 | - | - | 4,174 | 3,412 |
| Cost of goods sold | - | - | - | 5,533 | - | 5,533 | 4,855 |
| Debt service | - | - | - | 667 | 6,167 | 6,834 | 6,287 |
| Construction and renovation contracts | 217 | - | - | 233 | 2,127 | 2,577 | 2,081 |
| Internal cost allocations | (767) | 477 | 210 | 79 | - | (3,502) | (3,263) |
| External cost recoveries | (2,615) | (866) | (21) | - | - | 121,716 | 109,405 |
| | 82,820 | 7,722 | 6,829 | 12,751 | 11,594 | 121,716 | 109,405 |
| TRANSFERS AND APPROPRIATIONS | | | | | | | |
| Inter-fund transfers | (187) | (6) | - | 350 | (165) | (8) | (348) |
| Transfer from Equity in Plant Assets | - | - | - | - | - | - | 2,280 |
| Appropriations released to meet expenditures | 6,186 | - | - | 419 | - | 6,605 | 5,691 |
| New appropriations | (5,454) | - | - | (1,052) | - | (6,506) | (5,781) |
| | 545 | (6) | - | (283) | (165) | 91 | 1,842 |
| NET INCREASE DURING YEAR | - | 258 | 328 | 386 | 2,982 | 3,954 | 2,550 |
| FUND BALANCES AT BEGINNING OF YEAR | 3 | 3,338 | 2,744 | (181) | 2,831 | 8,735 | 6,185 |
| FUND BALANCES AT END OF YEAR | 3 | 3,596 | 3,072 | 205 | 5,813 | 12,689 | 8,735 |

STATEMENT 4

UNIVERSITY OF VICTORIA
 COMBINED STATEMENT OF CHANGES IN NON-EXPENDABLE STUDENT LOAN
 AND ENDOWMENT PRINCIPAL FUNDS
 Year ended March 31, 1989 (in thousands of dollars)

| | Student Loan | Endowment Principal | Total 1989 | Total 1988 |
|--|-----------------|------------------------|---------------|---------------|
| ----- | | | | |
| ADDITIONS | | | | |
| Gifts, grants and bequests | - | 1,453 | 1,453 | 614 |
| Realized gains on investments | - | 322 | 322 | 441 |
| | - | 1,775 | 1,775 | 1,055 |
| ----- | | | | |
| TRANSFERS FROM UNAPPROPRIATED EXPENDABLE FUNDS | 2 | 6 | 8 | 348 |
| ----- | | | | |
| NET INCREASE DURING YEAR | 2 | 1,781 | 1,783 | 1,403 |
| FUND BALANCES AT BEGINNING OF YEAR | 75 | 16,569 | 16,644 | 15,241 |
| ----- | | | | |
| FUND BALANCES AT END OF YEAR | 77 | 18,350 | 18,427 | 16,644 |
| ===== | | | | |

STATEMENT 5

UNIVERSITY OF VICTORIA
 COMBINED STATEMENT OF CHANGES IN EQUITY IN PLANT ASSETS
 Year ended March 31, 1989 (in thousands of dollars)

| | 1989 | 1988 |
|--|---------|---------|
| ----- | ----- | ----- |
| ADDITIONS | | |
| Additions to plant assets | 12,409 | 8,892 |
| Repayment of capital borrowings from - | | |
| Provincial government grants | 983 | 983 |
| Interest earnings on sinking fund | 770 | 567 |
| Ancillary enterprise operations | 64 | 62 |
| Capital funds | 46 | 51 |
| | ----- | ----- |
| | 14,272 | 10,555 |
| ----- | ----- | ----- |
| DEDUCTIONS | | |
| Authorized capital borrowings | 1,255 | 1,759 |
| Debtenture financing costs | - | 7 |
| Equipment, furnishings and library | | |
| holdings written off | 5,503 | 1,950 |
| Transfer to Capital Fund | - | 2,280 |
| | ----- | ----- |
| | 6,758 | 5,996 |
| ----- | ----- | ----- |
| NET INCREASE DURING YEAR | 7,514 | 4,559 |
| EQUITY AT BEGINNING OF YEAR | 135,802 | 131,243 |
| ----- | ----- | ----- |
| EQUITY AT END OF YEAR | 143,316 | 135,802 |
| ===== | ===== | ===== |

UNIVERSITY OF VICTORIA
NOTES TO COMBINED FINANCIAL STATEMENTS
March 31, 1989

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

(a) General

These financial statements have been prepared in accordance with accounting principles generally accepted for universities as described in the 'Guide to Accounting Principles, Practices and Standards of Disclosure for Universities and Colleges of Canada' published by the Canadian Association of University Business Officers.

(b) Combined Statements

The University conducts certain activities through other incorporated bodies: endowment funds are administered by the University of Victoria Foundation, and an off-campus conference centre is operated by the Island Pacific Institute Foundation. The accounts of these two bodies are included in these statements.

(c) Fund Accounting

Fund accounting procedures are employed in order to recognize restrictions placed on the use of resources by donors and granting agencies or by the governing boards. Separate accounts are maintained for each fund to facilitate observance of these restrictions.

Funds are classified as expendable or non-expendable. Expendable funds are those which may be expended in their entirety within the restrictions referred to above. Non-expendable funds are those to be held as endowment principal or used for making loans to students.

For financial reporting purposes, funds with similar characteristics are grouped together as described below. The statements of changes in funds show the additions to and the deductions from each group of funds. The balance sheet combines the assets and liabilities of all funds.

The General Operating Fund accounts for revenues used for the general operations of the University.

The Specific Purposes Fund accounts for monies designated for specific purposes.

The Sponsored Research Fund accounts for monies designated for support of research.

The Ancillary Enterprises Fund accounts for the revenue of service operations which are expected to function on a self-supporting basis. These operations comprise the bookstore, food services, student residences and conference centre.

The Capital Fund accounts for monies designated for acquisition of plant assets, major renovations and repayment of long-term debt.

The Student Loan Fund accounts for monies held for making loans to students.

The Endowment Principal Fund accounts for amounts held as invested principal, the expendable income from which is added to the Specific Purposes Fund.

- (d) **Accrual Accounting**
Revenue is recorded when receivable and expenditures are recorded when the goods or services are received. No expenditure accrual is made for salaried employees' vacation pay or study leave support.
- (e) **Appropriations**
Appropriations are set aside within the General Operating and Ancillary Enterprises Funds for future major or specific project expenditures, and in respect of certain unexpended budget allocations. These appropriations are released when the related expenditures are made.
- (f) **Investments**
Investments are recorded at cost or, where donated, at fair market value on the date of their donation. Temporary investments consist of short-term deposits, treasury bills and corporate notes. Endowment investments also include stocks, bonds and real property.
- (g) **Inventories**
Inventories of supplies are recorded at cost. Inventories of merchandise held for resale are stated at the lower of cost and net realizable value.
- (h) **Plant Assets**
Expenditures for plant asset additions are charged to the fund which provides the resources for the expenditures. No depreciation is recorded.
- Plant assets are also recorded on the balance sheet. Those purchased are recorded at cost and those donated are recorded at fair market value on the date of their donation. Amounts recorded for library holdings do not include cataloguing or other internal handling costs.
- The carrying value of plant assets is deleted from asset accounts as follows:
- land and buildings are deleted upon disposal;
 - equipment and furnishings are deemed to have an average useful life of eight years and are written off in their ninth year (except that major items are deleted upon disposal where that is earlier);
 - an annual allowance is made for disposal and shrinkage of library holdings.
- The equity in plant assets is increased as resources are used to pay for plant assets or to repay long-term debt which financed their acquisition. The equity is reduced when plant asset deletions are made as described above.
- (i) **Capital Borrowings**
Certain Capital Fund expenditures are financed under borrowing authority given by the Province of British Columbia (the Province). The proceeds from these authorized borrowings are therefore recorded as additions to the Capital Fund in the same year as the expenditures are made.
- Funds provided by the Province to repay the principal and interest of these borrowings, and the amount of the interest earned on the sinking fund to which such principal repayments are made, are both recorded as provincial government grants revenue in the Capital Fund. A corresponding debt service expenditure is also recorded in the Capital Fund.

NOTE 2 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

This amount includes Building Trust Funds of \$1,701,215 (1988 - \$1,508,680) held on behalf of student societies.

NOTE 3 LOANS PAYABLE

These loans are held for interim financing of capital projects, under the Educational Institution Capital Finance Act or the Financial Administration Act. They will be repaid with funds received from the Province for that purpose, or re-financed through long-term debt.

NOTE 4 LONG-TERM DEBT

| | Principal 1989 | Principal 1988 |
|--|-------------------|-------------------|
| British Columbia Educational Institutions Capital Financing Authority | | |
| 9.41% to 17% debentures due 1990 to 2008 | \$34,078,650 | \$31,638,650 |
| Less sinking fund | 9,493,361 | 7,701,010 |
| | 24,585,289 | 23,937,640 |
| Canada Mortgage and Housing Corporation | | |
| 5.125% to 9.5% debentures due 2015 to 2029 | 4,047,159 | 4,071,875 |
| Great-West Life Assurance Company | | |
| 11% mortgage loan due 1988 | - | 2,183,129 |
| | \$28,632,448 | \$30,192,644 |
| | ===== | ===== |

Debentures are issued to the British Columbia Educational Institutions Capital Financing Authority under the Educational Institution Capital Finance Act. Payments to the sinking fund held by the Authority are based on the discounted present values required to fund repayment of the debentures at maturity. These debentures can be recalled by the Authority giving not less than 5 months' notice. Sinking fund and interest payments are made with funds received from the Province for that purpose or from the Ancillary Enterprises Fund.

The debentures issued under Orders-in-Council to the Canada Mortgage and Housing Corporation are secured by a floating charge and mortgage on certain student residences and dining facilities which are recorded on the balance sheet at their cost of \$7,913,721. Principal and interest payments are made from the Ancillary Enterprises Fund.

The aggregate annual payments of principal and interest required under these long-term debt instruments during the next 5 years are as follows:

| | Ancillary Enterprises Fund | Capital Fund |
|---------|----------------------------------|-----------------|
| 1989-90 | \$666,995 | \$5,013,338 |
| 1990-91 | 666,995 | 4,894,235 |
| 1991-92 | 666,995 | 4,386,549 |
| 1992-93 | 666,995 | 4,386,549 |
| 1993-94 | 666,995 | 4,345,927 |

NOTE 5 GROUP INSURANCE RESERVES

These reserves are held in connection with the University's group life and long-term disability insurance plans, to provide for rate stabilization and any adverse claims experience. The reserves are funded from employee and employer contributions to the plans.

NOTE 6 ENDOWMENT PRINCIPAL

The balance shown does not include endowment principal of \$810,000 (1988 - \$810,000) held by the Vancouver Foundation. The excluded principal is not owned or controlled by the University, but income from it is paid to the University for specific purposes.

NOTE 7 PENSION PLANS

- (a) The University pension plan for faculty and administrative and academic professional staff is a defined contribution plan providing both money-purchase annuities and formula pension benefits. The plan is administered by a separate Board of Trustees. The latest actuarial valuation as at July 1, 1986 showed that the formula pension benefit liabilities of the plan were fully funded.
- (b) The University pension plan for other staff is a defined benefit plan administered by the University. The latest actuarial valuation as at January 1, 1987 showed that the liabilities of the plan were fully funded.

NOTE 8 UNIVERSITY INTERESTS IN TRIUMF AND WCUMBS

The University is a member of the two joint ventures described below. As no monetary gain is expected from these joint ventures, their accounts are excluded from these statements.

- (a) The University is one of four university members of a consortium which manages the Tri-Universities Meson Facility (TRIUMF), a research facility at the University of British Columbia. The facility is funded by federal government grants and the University makes no direct financial contribution.
- (b) The University is one of five members of the Western Canadian Universities Marine Biological Society (WCUMBS) which operates a research station at Bamfield, British Columbia. The University's annual grant to the Society is recorded as an expenditure in the General Operating Fund (1989 - \$83,673; 1988 - \$67,133).

NOTE 9 COMMITMENTS

Commitments under construction contracts at March 31, 1989 were \$1,229,408 (1988 - Nil).

NOTE 10 COMPARATIVE FIGURES

Certain comparative figures for 1988 have been restated to conform with 1989 presentation.

WORKERS' COMPENSATION BOARD OF BRITISH COLUMBIA

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
(604) 387-6803

AUDITOR'S REPORT

To the Chairman and Members of the Workers' Compensation Board, and

To the Minister of Labour and Consumer Services
Province of British Columbia:

I have examined the balance sheet of the Workers' Compensation Board as at December 31, 1988 and the statements of income and expense and unappropriated surplus, changes in fund liabilities, changes in reserve balances and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at December 31, 1988 and the results of its operations and the changes in its fund liabilities, reserve balances and financial position for the year then ended in accordance with the accounting principles described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Workers Compensation Act. In my opinion, these transactions were, in all significant respects, in compliance with the Act.

Victoria, British Columbia
March 2, 1989



George L. Morfitt, F.C.A.
Auditor General



WORKERS' COMPENSATION BOARD

BALANCE SHEET**AS AT 31 DECEMBER 1988 (in \$,000's)****EXHIBIT 1**

| | <u>1988</u> | <u>1987</u> |
|--|------------------|------------------|
| ASSETS | | |
| Assessments and accrued interest receivable | 134,352 | 115,566 |
| Deposit account unfinalled claims receivable | 80,585 | 69,730 |
| Portfolio investments (Note 2) | 2,754,793 | 2,544,790 |
| Deferred long-term investment losses (Note 4) | 44,875 | 37,065 |
| Fixed assets (Note 3) | 58,304 | 55,032 |
| | <u>3,072,909</u> | <u>2,822,183</u> |
| LIABILITIES, RESERVES AND UNAPPROPRIATED SURPLUS | | |
| Accounts payable and accrued liabilities | 17,212 | 17,601 |
| Accident fund liabilities (Exhibit 3) | 2,779,380 | 2,512,218 |
| Silicosis fund liabilities (Exhibit 3) | 30,933 | 30,820 |
| | <u>2,827,525</u> | <u>2,560,639</u> |
| Accident fund special reserves (Exhibit 4) | 39,918 | 37,846 |
| Benefit maintenance and assessment rate stabilization reserve (Exhibit 4) | 145,946 | 145,799 |
| Unappropriated surplus (Exhibit 2) | 59,520 | 77,899 |
| | <u>3,072,909</u> | <u>2,822,183</u> |

The accompanying eight notes are an integral part of these financial statements.

Approved by the Board:

F.W. Greer
Acting Chairman

R.D. Gunn
General Manager
Financial Services



WORKERS' COMPENSATION BOARD

EXHIBIT 2

STATEMENT OF INCOME AND EXPENSE AND UNAPPROPRIATED SURPLUS FOR THE YEAR ENDED 31 DECEMBER 1988 (in \$,000's)

| | <u>1988</u> | <u>1987</u> |
|---|----------------|----------------|
| INCOME | | |
| Assessments | | |
| Classes | 402,133 | 296,367 |
| Deposit accounts | 36,776 | 24,532 |
| Penalties | <u>3,042</u> | <u>2,465</u> |
| | 441,951 | 323,364 |
| Investment income | | |
| Earned for the year | 270,853 | 246,947 |
| Amortization of long-term investment gains (Note 4) | <u>1,742</u> | <u>1,843</u> |
| | 272,595 | 248,790 |
| | <u>714,546</u> | <u>572,154</u> |
| EXPENSE | | |
| Current year claims | | |
| Wage loss compensation | 108,140 | 91,748 |
| Medical aid payments | 38,101 | 31,364 |
| Pension awards, capitalized values | 15,781 | 15,739 |
| Provision for unfinalled claims | <u>238,167</u> | <u>196,934</u> |
| | 400,189 | 335,785 |
| Prior years' claims | | |
| Adjustment to fund liabilities and reserves (Note 5) | <u>222,414</u> | <u>175,525</u> |
| Administration and other expenses | | |
| Administration | 88,033 | 75,153 |
| Review Board and Advisers | 5,274 | 5,036 |
| Research grants and awards | <u>868</u> | <u>1,267</u> |
| | 94,175 | 81,456 |
| | <u>716,778</u> | <u>592,766</u> |
| NET (LOSS) INCOME | (2,232) | (20,612) |
| UNAPPROPRIATED SURPLUS - 1 January | 77,899 | 111,310 |
| APPROPRIATION TO SPECIAL RESERVES | (16,000) | (17,000) |
| (APPROPRIATION TO) TRANSFER FROM BENEFIT MAINTENANCE AND ASSESSMENT RATE STABILIZATION RESERVE | <u>(147)</u> | <u>4,201</u> |
| UNAPPROPRIATED SURPLUS - 31 December (Exhibit 1) | <u>59,520</u> | <u>77,899</u> |



WORKERS' COMPENSATION BOARD

EXHIBIT 3

STATEMENT OF CHANGES IN FUND LIABILITIES FOR THE YEAR ENDED 31 DECEMBER 1988 (in \$,000's)

| | <u>Accident Fund</u> | | <u>Silicosis Fund</u> | |
|---|-------------------------|-------------------------|-----------------------|----------------------|
| | <u>1988</u> | <u>1987</u> | <u>1988</u> | <u>1987</u> |
| ADDITIONS TO THE FUND LIABILITIES | | | | |
| Current year claims | | | | |
| Provision for unfinalled claims | 236,637 | 196,382 | 1,530 | 552 |
| Pension awards, capitalized values (Note 6) | 22,824 | 22,978 | 38 | — |
| Prior years' claims | | | | |
| Adjustment to fund liabilities (Note 5) | 218,370 | 171,605 | 1,103 | 1,536 |
| | <u>477,831</u> | <u>390,965</u> | <u>2,671</u> | <u>2,088</u> |
| DEDUCTIONS FROM THE FUND LIABILITIES | | | | |
| Pensions paid | 123,677 | 105,818 | 2,485 | 2,430 |
| Wage loss compensation | 54,128 | 48,817 | — | 36 |
| Medical aid payments | 32,864 | 29,850 | 73 | 114 |
| | <u>210,669</u> | <u>184,485</u> | <u>2,558</u> | <u>2,580</u> |
| CURRENT YEAR INCREASE (DECREASE) | 267,162 | 206,480 | 113 | (492) |
| BALANCE - 1 January | <u>2,512,218</u> | <u>2,305,738</u> | <u>30,820</u> | <u>31,312</u> |
| BALANCE - 31 December (Exhibit 1) | <u><u>2,779,380</u></u> | <u><u>2,512,218</u></u> | <u><u>30,933</u></u> | <u><u>30,820</u></u> |
| Represented by: | | | | |
| Provision for unfinalled claims | 1,203,408 | 1,063,803 | 10,331 | 10,709 |
| Pension awards, capitalized values | 1,575,972 | 1,448,415 | 20,602 | 20,111 |
| | <u><u>2,779,380</u></u> | <u><u>2,512,218</u></u> | <u><u>30,933</u></u> | <u><u>30,820</u></u> |



WORKERS' COMPENSATION BOARD

EXHIBIT 4

STATEMENT OF CHANGES IN RESERVE BALANCES FOR THE YEAR ENDED 31 DECEMBER 1988 (in \$,000's)

ACCIDENT FUND SPECIAL RESERVES

| | | | | Total | |
|--|------------|----------|-------------|--------|--------|
| | Contingent | Disaster | Enhancement | 1988 | 1987 |
| ADDITIONS TO THE RESERVES | | | | | |
| Appropriation of net income | — | — | 16,000 | 16,000 | 17,000 |
| Adjustment to prior years' reserves (Note 5) | 195 | 1,534 | 1,212 | 2,941 | 2,384 |
| | 195 | 1,534 | 17,212 | 18,941 | 19,384 |
| DEDUCTIONS FROM THE RESERVES | | | | | |
| Pension awards, capitalized values | — | 467 | 6,579 | 7,046 | 7,239 |
| Wage loss compensation | — | 393 | 7,291 | 7,684 | 6,401 |
| Medical aid payments | — | 140 | 1,999 | 2,139 | 2,424 |
| | — | 1,000 | 15,869 | 16,869 | 16,064 |
| CURRENT YEAR INCREASE | 195 | 534 | 1,343 | 2,072 | 3,320 |
| BALANCE - 1 January | 1,944 | 15,844 | 20,058 | 37,846 | 34,526 |
| BALANCE - 31 December (Exhibit 1) | 2,139 | 16,378 | 21,401 | 39,918 | 37,846 |

BENEFIT MAINTENANCE AND ASSESSMENT RATE STABILIZATION RESERVE

| | 1988 | 1987 |
|--|---------|---------|
| CURRENT YEAR INCREASE (DECREASE) | | |
| Appropriation of (Transfer to) surplus | 147 | (4,201) |
| BALANCE - 1 January | 145,799 | 150,000 |
| BALANCE - 31 December (Exhibit 1) | 145,946 | 145,799 |



WORKERS' COMPENSATION BOARD

EXHIBIT 5

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 1988 (in \$,000's)

| | <u>1988</u> | <u>1987</u> |
|---|-------------------------|-------------------------|
| OPERATING ACTIVITIES | | |
| Net (loss) income | (2,232) | (20,612) |
| Add (deduct) items not requiring cash: | | |
| Provision for unfinalled claims | 238,167 | 196,934 |
| Adjustment to fund liabilities and reserves (Note 5) | 222,414 | 175,525 |
| Pension awards, capitalized values | 15,781 | 15,739 |
| Depreciation | 6,921 | 5,421 |
| (Gain) loss on disposal of fixed assets | (139) | 22 |
| Pension payments recovered from third parties | 35 | — |
| Deduct cash applied in settlement of fund liabilities or charged against special reserves: | | |
| Pensions paid | (126,162) | (108,248) |
| Wage loss compensation | (61,812) | (55,254) |
| Medical aid payments | (35,076) | (32,388) |
| Funds provided by operating activities | <u>257,897</u> | <u>177,139</u> |
| OTHER ACTIVITIES | | |
| Purchase of fixed assets | (10,284) | (4,343) |
| Proceeds from the disposal of fixed assets | 230 | 593 |
| Increase in deferred long-term investment losses | (7,810) | (116,902) |
| (Increase) decrease in assessments and accrued interest receivable | (18,786) | 12,307 |
| Decrease in accounts payable and accrued liabilities | (389) | (4,714) |
| Increase in deposit account unfinalled claims receivable | (10,855) | (573) |
| Funds applied to other activities | <u>(47,894)</u> | <u>(113,632)</u> |
| INCREASE IN FUNDS INVESTED | 210,003 | 63,507 |
| FUNDS INVESTED - 1 January | <u>2,544,790</u> | <u>2,481,283</u> |
| FUNDS INVESTED - 31 December | <u><u>2,754,793</u></u> | <u><u>2,544,790</u></u> |



WORKERS' COMPENSATION BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1988

Note 1 - Significant Accounting Policies

(a) Fund Accounting

Although the liabilities and reserves of the Board are allocated to the Accident and Silicosis Funds and various sub-divisions thereof, the assets are recorded on a pooled basis with no allocation of individual assets to specific funds.

(b) Portfolio Investments

Long-term investments, consisting primarily of bonds of the Government of Canada, various Provinces and Crown corporations, having terms greater than 1 year, are stated at market value. The amount by which market value differs from book value represents an unrealized gain or loss. Unrealized gains and losses occurring during the year, together with gains and losses realized on disposal of long-term investments during the year, are deferred and amortized on a straight-line basis over a five year period.

Short-term investments, consisting primarily of treasury bills and discounted bank notes, having terms less than or equal to 1 year, are stated at amortized cost.

(c) Fixed Assets

Fixed assets are reported at cost and are depreciated on a straight-line basis over their estimated useful lives. The rates used are as follows:

| | |
|-----------------|----------------|
| Buildings | 20 to 40 years |
| Equipment | 3 to 10 years |
| Furniture | 10 years |
| Vehicles | 5 years |

(d) Accident and Silicosis Fund Liabilities

The Board appoints a consulting actuary who examines the Fund liabilities and the underlying assumptions and methods. The report of the consulting actuary is appended to these financial statements.

(i) Unfinalled Claims

Provisions for future claims costs relating to injuries occurring prior to 31 December 1988, for which the final settlement has not been determined, represent the unfinalled claims liabilities which are part of the Accident and Silicosis Funds established under Sections 39(1)(c) and 41(2)(b) of the Workers Compensation Act. Wage loss compensation and medical aid payments made, and the capitalized value of pension awards granted, after the year of injury (or after the year in which the claim is allowed, in the case of Silicosis), are charged to the respective unfinalled claims liabilities.

(ii) Pensions

Capitalized values of pension awards are credited to the pension liability provisions, which are then charged with pensions paid. When a pension is awarded for an injury which occurred in the current year, its capitalized value is treated as a current period expense. In the case of a pension awarded after the year of the injury (or after the year in which the claim is allowed, in the case of Silicosis), the capitalized value of the pension is charged to the appropriate unfinalled claims liability.

(e) Reserves

(i) Accident Fund special reserves established pursuant to Section 39 of the Workers Compensation Act are:

- Contingent Reserve [Section 39 (1)(b)] which provides a reserve in aid of industries or classes which may become depleted or extinguished.

- Disaster Reserve [Section 39 (1)(d)] which provides a reserve to be used to meet the loss arising from a disaster or other circumstances which the Board considers would unfairly burden the employers in a particular class.

- Enhancement Reserve [Section 39 (1)(e)] which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition or disability.

Investment income is allocated to these reserves, pro rata, from total investment income earned by the Board.

Claims deemed by the Board to be covered by these reserves are deducted directly from the reserves and are not charged to current operations.

- (ii) The Board has established a Benefit Maintenance and Assessment Rate Stabilization Reserve which may be used to reduce the impact on assessment rates resulting from such changes as claim frequencies, benefit levels or rates of return on investments.

The Board determines the amounts required to maintain these reserves at an adequate level and resulting appropriations are prorated to the various employer classes.

(f) Current Year Claims

Wage loss compensation and medical aid payments represent expenditures resulting from injuries which occurred during the current year. Amounts recorded as "Pension awards, capitalized values" and as "Provision for unfinalled claims" are the actuarial estimates of the present values of future payments resulting from injuries which occurred during the current year. The calculation of the present value provides for the future indexation of pensions by assuming that the annual rate of return on the Board's investments will exceed the annual increase in the Consumer Price Index (CPI) by 2½%.

(g) Prior Years' Claims

The Board determines its liabilities at the end of each year for all injuries that have taken place to that time. During the following year, it makes benefit payments and sets new awards on those prior injuries; benefits are also increased in line with increases in the CPI. Investment income is also earned on the assets available to finance those liabilities. At the end of the following year, the Board redetermines its actuarial requirements for those prior injuries, taking into account the actual investment income, benefit increases, claims payments and pension awards made during the year. The actuarial assumptions used in those calculations may also be modified to include the more recent experience of such factors as mortality, claims levels and claims costs. This process results in an adjustment to the fund liabilities and reserves.

(h) Assessment Income and Assessments Receivable

As a significant portion of assessment income for the year is not received until after the year-end, the amount shown is an estimate based on statistical data. The difference between the estimate and the actual income received is credited or charged to income in the following year.

(i) Deposit Account Unfinalled Claims Receivable

Certain employers have been placed in deposit classes. These employers are billed on a monthly basis for wage loss compensation, medical aid payments and the capitalized value of pension awards made on their behalf, together with their proportionate share of administrative costs.

The receivable represents the present value of the estimated future payments for the unfinalled claims of deposit classes, less deposits required to be placed on account with the Board.

The Board also acts as the agent of the Government of Canada for the payment of compensation to federal employees in British Columbia. Amounts paid are recovered from the Government of Canada on a monthly basis.

Note 2 - Portfolio Investments (\$,000's)

| | 1988 | 1987 |
|--|------------------|------------------|
| Long-term investments, market value | 1,958,381 | 1,898,952 |
| Short-term investments, amortized cost | 808,409 | 645,337 |
| (Bank indebtedness) cash | (11,997) | 501 |
| | <u>2,754,793</u> | <u>2,544,790</u> |

Note 3 - Fixed Assets (\$,000's)

| | 1988 | | | | 1987 |
|---------------------------------------|--------|--------------|-----------------------------|----------------------|----------------------|
| | Cost | Depreciation | Accumulated Depreciation | Net Book Value | Net Book Value |
| Land | 1,639 | — | — | 1,639 | 1,639 |
| Buildings | 49,725 | 1,347 | 11,086 | 38,639 | 39,976 |
| Furniture, Equipment & Vehicles | 35,069 | 5,574 | 17,043 | 18,026 | 13,417 |
| Totals | 86,433 | 6,921 | 28,129 | 58,304 | 55,032 |

Note 4 - Deferred Long-Term Investment Losses (\$,000's)

| | 1988 | 1987 |
|--|---------|----------|
| Balance - 1 January | 37,065 | (79,837) |
| Realized net (gains) losses for the year | (2,015) | 6,466 |
| Unrealized net losses for the year | 8,083 | 108,593 |
| | 43,133 | 35,222 |
| Amortization credited to investment income | 1,742 | 1,843 |
| Balance - 31 December | 44,875 | 37,065 |

Note 5 - Adjustment to Fund Liabilities and Reserves (\$,000's)

| | 1988 | | | | 1987 |
|---|------------------|-------------------|---------------------|----------|----------|
| | Accident Fund | Silicosis Fund | Special Reserves | Total | Total |
| Investment income allocation | 266,295 | 3,359 | 2,941 | 272,595 | 248,790 |
| Adjustment to prior years' actuarial estimates | (47,925) | (2,256) | — | (50,181) | (73,265) |
| Totals | 218,370 | 1,103 | 2,941 | 222,414 | 175,525 |

Note 6 - Pension Awards, Capitalized Values (\$,000's)

| | 1988 | 1987 |
|--|---------|---------|
| Pension awards, capitalized values: | | |
| Total | 156,532 | 101,859 |
| Charged to provision for unfinalled claims | 133,670 | 78,881 |
| Current year claims | 22,862 | 22,978 |
| Included in: | | |
| Accident Fund | 22,824 | 22,978 |
| Silicosis Fund | 38 | — |
| | 22,862 | 22,978 |

Note 7 - Superannuation Plan

The Board and its employees contribute to the Workers' Compensation Board Superannuation Plan, a defined benefit plan.

The Board's 1988 contributions to the Plan amounted to \$5,016,000 (1987 - \$4,608,000).

The Plan requires an actuarial valuation of the Plan's liabilities at intervals of not more than three years. The last valuation was carried out as at March 31, 1988. Effective January 1, 1988 the Board prospectively adopted the new recommendations of the Canadian Institute of Chartered Accountants for pension costs and obligations. As a result, the pension plan liabilities have been projected to December 31, 1988, using the accrued benefit actuarial method, based on the actuarial valuation made as of March 31, 1988. Pension plan assets are stated at market related values. The effect of the adoption of the recommendations on net income is not material. The resulting values of pension assets and liabilities as at December 31, 1988 are as follows:

| | |
|-------------|---------------|
| Assets | \$117,236,000 |
| Liabilities | \$114,353,000 |
| Net Surplus | \$ 2,883,000 |

The net surplus is not included in the Board's financial statements.

Note 8 - Comparatives

Certain comparative figures have been reclassified to conform with the current year's presentation.

ACTUARY'S REPORT

ECKLER PARTNERS LTD.

The Pension Liabilities for the Accident and Silicosis Funds are for pensions in effect as at 1 January 1989, but excluding pensions arising from injuries to Federal Government workers (Class 19). The present value of increases in pensions effective 1 January 1989 has been included in the Liabilities. The mortality and remarriage table used in calculating reserves for widows' pensions was revised on the basis of recent experience. With this exception, the Pension Liabilities have been computed using the same mortality, net interest rate and other assumptions used for the valuation as at 31 December 1987. The net interest rate of 2-3/4% makes implicit provision for the future indexing of pensions on the assumption that interest earnings on Board assets in excess of 2-3/4% will correspond to future increases in the Consumer Price Index.

The Unfinalled Claims Liabilities for the Accident and Silicosis Funds are shown separately for Rateable Classes and for Deposit Classes (excluding Class 19), and are based on projections of future claims payments and awards using ratios developed from the Board's claims experience, average benefit rates, the net interest rate assumption of 2-3/4% and, where applicable, mortality, remarriage and other assumptions used for computing Pension Liabilities. The methods used in calculating these liabilities were substantially the same as those employed in the previous valuation as at 31 December 1987.

The liabilities included in this report have been computed by the Board in accordance with methods and assumptions approved by us. We have made such tests of the calculations as were deemed necessary. We have also examined the data upon which the calculations were based and found it to be sufficient for our purposes and consistent with the Board's financial statements.

In our opinion, the amounts set out below, which have been determined by the methods and assumptions described above, make reasonable provision for the future liabilities of the Board as at 31 December 1988.

| | |
|-------------------------------|------------------------|
| Accident Fund | |
| Pension Liabilities | \$1,575,972,000 |
| Unfinalled Claims Liabilities | |
| - Rateable Classes | 1,118,168,000 |
| - Deposit Classes | <u>85,240,000</u> |
| | <u>\$2,779,380,000</u> |
| Silicosis Fund | |
| Pension Liabilities | \$ 20,602,000 |
| Unfinalled Claims Liabilities | <u>10,331,000</u> |
| | <u>\$ 30,933,000</u> |



Jacob Levi, F.S.A., F.C.I.A.
10 March 1989

Eckler Partners Ltd.
Consulting Actuaries

TRUST FUNDS

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SUMMARY OF THE FINANCIAL POSITION OF TRUST FUNDS
HELD AND ADMINISTERED
(unaudited)
(Thousands of Dollars)

| | BALANCE SHEET ¹ | | | Previous Year Fund Balances ¹ |
|--|----------------------------|---------------|-------------------|---|
| | Assets | Liabilities | Fund Balances | |
| Superannuation, Pension and Long-Term Disability Funds | | | | |
| Public Service Superannuation Fund ² | 3,235,314 | 11,991 | 3,223,323 | 2,958,615 |
| Members of the Legislative Assembly Superannuation Account ² | 3,434 | 925 | 2,509 | 2,384 |
| Municipal Superannuation Fund ² | 3,304,628 | 2,342 | 3,302,286 | 2,937,535 |
| Teachers' Pensions Fund ² | 2,511,502 | 1,239 | 2,510,263 | 2,235,167 |
| College Pension Fund ² | 217,844 | 68 | 217,776 | 190,081 |
| BC Rail Ltd. Pension Fund ² | 204,068 | 26 | 204,042 | 179,550 |
| British Columbia Hydro and Power Authority Pension Fund ² | 807,563 | 1,393 | 806,170 | 634,908 ³ |
| Long Term Disability Fund..... | 64,905 | 3,297 | 61,608 | 7,628 ³ |
| Subtotals..... | 10,349,258 | 21,281 | 10,327,977 | 9,145,868 |
| Sinking Funds⁴ | | | | |
| British Columbia Building Corporation..... | 66,357 | — | 66,357 | 55,722 |
| British Columbia Educational Institutions Capital Financing Authority..... | 94,778 | 15 | 94,763 | 77,063 |
| British Columbia Hydro and Power Authority..... | 1,674,335 | 105 | 1,674,230 | 1,121,152 |
| British Columbia Railway Company..... | 595,095 | — | 595,095 | 582,612 |
| British Columbia Regional Hospital Districts Financing Authority..... | 393,366 | 33 | 393,333 | 363,002 |
| British Columbia School Districts Capital Financing Authority..... | 722,307 | 49 | 722,258 | 668,517 |
| Greater Vancouver Sewage and Drainage District..... | 12,149 | 4 | 12,145 | 12,167 |
| Province of British Columbia..... | 230,195 | — | 230,195 | 156,490 |
| Province of British Columbia — Fiscal Agency Borrowings..... | 76,719 | 13 | 76,706 | 43,057 |
| Other..... | 29,523 | — | 29,523 | 28,095 |
| Subtotals..... | 3,894,824 | 219 | 3,894,605 | 3,107,877 |
| Investment Funds of Crown Corporations and Agencies⁴ | | | | |
| British Columbia Enterprise Corporation Trust..... | 19,719 | — | 19,719 | 16,159 |
| British Columbia Ferry Corporation Trust..... | 67,323 | — | 67,323 | 40,085 |
| British Columbia Health Care Research Foundation Trust..... | 8,605 | 2 | 8,603 | 2,238 |
| British Columbia Heritage Trust..... | 2,630 | 1 | 2,629 | 1,999 |
| British Columbia Housing and Employment Development Financing Authority Trust..... | 1,563 | — | 1,563 | 1,868 |
| British Columbia Hydro and Power Authority Trust..... | 173,695 | 10 | 173,685 | 112,827 |
| British Columbia Lottery Corporation Trust..... | 32,506 | 7 | 32,499 | 26,533 |
| B.C. Pavilion Corporation Trust..... | 4,082 | — | 4,082 | 3,989 |
| British Columbia Railway Company Trust..... | 32,843 | — | 32,843 | 13,669 |
| British Columbia Transit Trust..... | 30,421 | — | 30,421 | 21,047 |
| Discovery Foundation Trust..... | 410 | — | 410 | 1,142 |
| Health Facilities Association of British Columbia Trust..... | 3,919 | 119 | 3,800 | 1,850 |
| Provincial Capital Commission Trust..... | 2,575 | — | 2,575 | 1,843 |
| Other Trusts..... | 59,505 | 4 | 59,501 | 26 |
| Subtotals..... | 439,796 | 143 | 439,653 | 245,275 |
| Investment Funds of Workers' Compensation Board of British Columbia⁴ | 2,931,735 | — | 2,931,735 | 2,718,955 |
| Other Trust Funds⁴ | | | | |
| Public Trustee and Official Administrators..... | 281,370 | 3,381 | 277,989 | 255,284 |
| Crop Insurance Fund..... | 9,266 | 25,545 | (16,279) | (10,887) |
| Land Registry Assurance Fund..... | 1,002 | — | 1,002 | 975 |
| Supreme and County Court Rules..... | 78,527 | 13 | 78,514 | 75,316 |
| Other Trust Deposits..... | 80,781 | 30 | 80,751 | 70,465 |
| Subtotals..... | 450,946 | 28,969 | 421,977 | 391,153 |
| GRAND TOTALS | 18,066,559 | 50,612 | 18,015,947 | 15,609,128 |

NOTES

¹ Totals are shown only to give the reader an idea of the size and scope of the trust funds held and administered by the Province on a collective basis.

² The figures for the superannuation and pension funds are taken from the latest audited financial statements included in this section, which do not all have the same fiscal year end.

³ Previous year's fund balances have been restated to conform to the current year's presentation.

⁴ The figures for these funds are taken from the records of the Province as at March 31, 1989, and therefore may differ from the figures in the financial statements of the applicable Crown Corporations and Agencies contained in Section F.

PUBLIC SERVICE SUPERANNUATION FUND

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Superannuation Commissioner,

To the Minister of Government Management Services,
Province of British Columbia, and

To the Minister of Finance and Corporate Relations,
Province of British Columbia:

I have examined the statement of financial position of the Public Service Superannuation Fund as at March 31, 1989 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1989 and the changes in the fund balance for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Pension (Public Service) Act. In my opinion, these transactions were, in all significant respects, in compliance with the Act.

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
July 25, 1989

PROVINCE OF BRITISH COLUMBIA

PUBLIC SERVICE SUPERANNUATION FUND

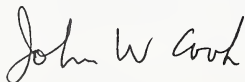
STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 1989

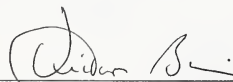
| | <u>1989</u> | <u>1988</u> |
|---|---------------------|---------------------|
| | (\$ Thousands) | |
| ASSETS | | |
| Cash | \$ 439 | \$ 940 |
| Contributions receivable | 17,733 | 52,694 |
| Due from Members of the Legislative Assembly Superannuation Account (Note 8) | 925 | 1,050 |
| Accrued interest | 52,531 | 50,207 |
| Investments (Note 3) | 3,155,148 | 2,847,496 |
| Deferred losses less gains on sale of investments (Note 4) | <u>8,538</u> | <u>7,320</u> |
| | <u>\$ 3,235,314</u> | <u>\$ 2,959,707</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | <u>\$ 11,991</u> | <u>\$ 1,092</u> |
| FUND BALANCE | | |
| Basic Account | 2,842,913 | 2,643,151 |
| Inflation Adjustment Account | <u>380,410</u> | <u>315,464</u> |
| | <u>3,223,323</u> | <u>2,958,615</u> |
| | <u>\$ 3,235,314</u> | <u>\$ 2,959,707</u> |

The nine accompanying notes are an integral part of these financial statements.

APPROVED BY:



JOHN W. COOK, F.C.I.A.,
Superannuation Commissioner



VICTOR-BARWIN, C.A.,
Director, Finance, Superannuation Commission

PUBLIC SERVICE SUPERANNUATION FUND
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 1989

| | Basic Account | Inflation Adjustment Account | Totals | |
|--|---------------------|------------------------------------|---------------------|---------------------|
| | | | 1989 | 1988 |
| (\$ Thousands) | | | | |
| FUND BALANCE INCREASED BY | | | | |
| Members' contributions | | | | |
| Current | \$ 53,623 | \$ 15,071 | \$ 68,694 | \$ 71,129 |
| Voluntary | 95 | - | 95 | 205 |
| Purchase of service | 1,986 | 6 | 1,992 | 682 |
| Reinstatement | <u>388</u> | <u>-</u> | <u>388</u> | <u>203</u> |
| | <u>56,092</u> | <u>15,077</u> | <u>71,169</u> | <u>72,219</u> |
| Employers' contributions | | | | |
| Province of British Columbia | | | | |
| Current | 54,461 | 9,822 | 64,283 | 70,210 |
| Purchase of service | 1,944 | - | 1,944 | 447 |
| Reinstatement | 409 | - | 409 | 199 |
| Early Retirement Incentive Program (Note 5) | - | - | - | 42,250 |
| Other Employers | | | | |
| Current | 29,147 | 4,106 | 33,253 | 31,762 |
| Purchase of service | 214 | - | 214 | 138 |
| Early Retirement Incentive Program (Note 5) | <u>1,223</u> | <u>452</u> | <u>1,675</u> | <u>-</u> |
| | <u>87,398</u> | <u>14,380</u> | <u>101,778</u> | <u>145,006</u> |
| Transfers from other funds | 1,112 | 104 | 1,216 | 1,027 |
| Transfers from Members of the Legislative Assembly Superannuation Account (Note 8) | | | | |
| Capitalized value of contributory allowances | 911 | - | 911 | 1,037 |
| Inflation adjustment contributions | - | 29 | 29 | 33 |
| Income from investments | <u>270,697</u> | <u>32,744</u> | <u>303,441</u> | <u>261,335</u> |
| TOTAL INCREASE | <u>416,210</u> | <u>62,334</u> | <u>478,544</u> | <u>480,657</u> |
| FUND BALANCE DECREASED BY | | | | |
| Superannuation allowance payments | | | | |
| Contributory | 134,086 | - | 134,086 | 99,961 |
| Inflation adjustment supplements | <u>26,640</u> | <u>-</u> | <u>26,640</u> | <u>22,687</u> |
| | 160,726 | - | 160,726 | 122,648 |
| Refunds | 18,909 | 3,881 | 22,790 | 19,083 |
| Transfer Option for Privatized Employees (Note 6) | 22,612 | 3,776 | 26,388 | - |
| Transfers to other funds | 879 | 143 | 1,022 | 794 |
| Administration and actuarial fees | 2,221 | - | 2,221 | 1,580 |
| Investment management fees | <u>613</u> | <u>76</u> | <u>689</u> | <u>641</u> |
| TOTAL DECREASE | <u>205,960</u> | <u>7,876</u> | <u>213,836</u> | <u>144,746</u> |
| NET INCREASE BEFORE TRANSFERS | 210,250 | 54,458 | 264,708 | 335,911 |
| TRANSFERS (Note 7) | <u>(10,488)</u> | <u>10,488</u> | <u>-</u> | <u>-</u> |
| NET INCREASE IN FUND BALANCE | 199,762 | 64,946 | 264,708 | 335,911 |
| FUND BALANCE AT BEGINNING OF YEAR | <u>2,643,151</u> | <u>315,464</u> | <u>2,958,615</u> | <u>2,622,704</u> |
| FUND BALANCE AT END OF YEAR | <u>\$ 2,842,913</u> | <u>\$ 380,410</u> | <u>\$ 3,223,323</u> | <u>\$ 2,958,615</u> |

PUBLIC SERVICE SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

1. DESCRIPTION OF THE PUBLIC SERVICE SUPERANNUATION PLAN

The following brief description of the plan is provided for general information only. For more complete information about the plan, reference should be made to the *Pension (Public Service) Act*.

a) General

The plan is a defined benefit pension plan open to eligible employees of the public service and certain Crown corporations, agencies, institutions and other employers to which the *Pension (Public Service) Act* applies.

b) Contributions

Members contribute to the Basic Account 4-1/4% of salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings and 5-3/4% on earnings above that. Employers contribute to the Basic Account 6-3/4% of salary up to the Year's Maximum Pensionable Earnings and 8-1/4% on earnings above that. Members and employers also each contribute 1-1/4% of salary to the Inflation Adjustment Account which was created in 1980 to provide for the payment of inflation adjustment supplements.

c) Retirement Benefits

Members are eligible for an unreduced pension at an age within 5 years of normal retirement age with at least 10 years contributory service, or at age 55 with 35 years contributory service. A reduced pension is payable at an age 10 years under normal retirement age with at least 10 years contributory service.

The plan provides for a pension of 2% of the highest 5-year average salary for each year of pensionable service (to a maximum of 35 years). At age 65, or date of death or disability, if earlier, there is a reduction in the formula as a result of integration with the Canada Pension Plan.

The inflation adjustment supplements are provided each January 1st and are related to the annual increase in the Consumer Price Index (CPI) as at the previous September 30th. The increase is pro-rated if the capitalized value of the increases exceeds the funds available in the Inflation Adjustment Account. As there were sufficient funds available at January 1, 1988, a full CPI increase of 4.5% (1987 - 4.1%) was provided to the basic lifetime portion of the contributory superannuation allowances in force. Sufficient funds were also available to provide a full CPI increase of 4.1% effective January 1, 1989.

d) Termination and Portability Benefits

A terminating member may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Members with at least 10 years of contributory service who leave contributions in the Fund are entitled to deferred pension benefits. Those members not withdrawing contributions may carry certain pension rights to other pension plans that have portability arrangements with the Public Service Superannuation Plan. New members may also, under portability arrangements, transfer contributions and service from other plans to provide for, or to increase, pension benefits under the Public Service Superannuation Plan.

PUBLIC SERVICE SUPERANNUATION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1989

1. DESCRIPTION OF THE PUBLIC SERVICE SUPERANNUATION PLAN (Continued)

e) Other Benefits

Disability and survivor benefits are available under the plan.

f) Legislation

Bill 39, the *Pension (Miscellaneous Amendments) Act*, 1988, which received Royal Assent on June 29, 1988 provided for numerous amendments to the *Pension (Public Service) Act*. The provisions of the Act were changed to remove the age restriction for becoming a member of the plan and to require that a member will always remain a member while still employed with the same employer.

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the financial position of the Fund as at March 31, 1989 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the superannuation plan. The results of the latest actuarial valuation of the plan are described in Note 9 below.

b) Investments

- (i) Short-term investments are carried at cost of acquisition.
- (ii) Units in Pooled Investment Portfolios are carried at the cost of acquisition adjusted by income attributed to the units. Income attributed to the units represents the Fund's share of investment income earned by the Portfolios and is realizable by the Fund upon the sale of the units.
- (iii) Long-term bonds and notes are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted by the amortization of discounts and premiums on a constant yield basis over the remaining terms of the bonds and notes. Discounts on serial bonds are recognized as income when redemptions occur.
- (iv) Shares are carried at cost adjusted annually by 7% of the difference between cost or adjusted cost and market value.

(c) Deferred Losses Less Gains on Sale of Investments

Gains and losses on disposal of long-term bonds and notes are deferred and amortized on a straight line basis over the lesser of the remaining terms of the bonds and notes or twenty years. The amortization is charged against income from investments.

3. INVESTMENTS

The book value of investments held at the end of the year was as follows:

| | <u>1989</u> | | <u>1988</u> |
|--|---------------------|----------------|---------------------|
| | | (\$ Thousands) | |
| Short-term investments | \$ 10,500 | | \$ 33,513 |
| Units in Province of British Columbia Pooled Investment Portfolios | 1,118,319 | | 960,079 |
| Long-term bonds and notes | 2,002,999 | | 1,831,426 |
| Shares | <u>23,330</u> | | <u>22,478</u> |
| | <u>\$ 3,155,148</u> | | <u>\$ 2,847,496</u> |

PUBLIC SERVICE SUPERANNUATION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1989

3. INVESTMENTS (Continued)

As at March 31, 1989, the market value of the units was \$1,117,356,671 (1988 - \$961,085,712), the market value of the long-term bonds and notes was \$1,946,460,236 (1988 - \$1,854,717,216) and the market value of the shares was \$36,429,708 (1988 - \$34,415,542).

4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

| | <u>1989</u> | <u>1988</u> |
|--|-----------------|-----------------|
| | (\$ Thousands) | |
| Balance at beginning of year | \$ 7,320 | \$ 8,171 |
| Losses less gains (gains less losses) on sale of investments | <u>1,778</u> | <u>(902)</u> |
| | 9,098 | 7,269 |
| Amortization for the year | <u>(560)</u> | <u>51</u> |
| Balance at end of year | <u>\$ 8,538</u> | <u>\$ 7,320</u> |

5. EARLY RETIREMENT INCENTIVE PROGRAM

The Province of British Columbia and certain Crown corporations offered an early retirement incentive program to eligible employees during the period October 20, 1987 to March 31, 1988. Approximately 2,600 employees took advantage of this program. The Province and the Crown corporations each agreed to make lump sum payments to fund the waiver of the plan's early retirement reduction formula for employees retiring before their normal retirement age. The cost to the Crown corporations of this benefit has been calculated at \$1,675,000 (1988 - nil) and has been included in the Contributions Receivable as at March 31, 1989. The cost to the Province of this benefit was calculated at \$42,250,000 and was included in the Contributions Receivable as at March 31, 1988.

6. PENSION OPTIONS FOR PRIVATIZED EMPLOYEES

Special pension options were available to members who ceased to be employed by the Province of British Columbia because their employment was transferred out of the public service as a result of privatization. Those members were able to receive a refund of their contributions (refund option), leave their contributions in the pension plan and then be eligible for a deferred pension (deposit option), or transfer the value of their pension to a personal registered retirement savings plan or other pension plan (transfer option). The value of the transfer options granted was \$26,388,350 (1988 - nil).

7. TRANSFERS

The Basic Account is increased by the capitalized value of inflation adjustment supplements granted and by the capitalized value of the indexing of the highest average salary for members electing deferred pensions during the year.

The Inflation Adjustment Account is increased by income that is earned on assets held in the Basic Account in respect of pensions being paid, and which is in excess of income calculated using the interest rate assumed by the Actuary. During 1989, the Account was also increased by that portion of the 1988 Early Retirement Incentive Program contributions from the Province of British Columbia and related interest which the Actuary attributed to the future cost of inflation adjustment supplements pertaining to this Program.

PUBLIC SERVICE SUPERANNUATION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1989

7. TRANSFERS (Continued)

| | <u>1989</u> | | <u>1988</u> | |
|---|--------------------|-------------------|------------------|--------------------|
| | Basic | Inflation | Basic | Inflation |
| | <u>Account</u> | <u>Adjustment</u> | <u>Account</u> | <u>Adjustment</u> |
| | | <u>Account</u> | | <u>Account</u> |
| | (\$ Thousands) | | | |
| Capitalized Value of inflation adjustment supplements granted | \$ 48,684 | \$ (48,684) | \$ 44,921 | \$ (44,921) |
| Capitalized Value of indexing of highest average salary | 760 | (760) | 960 | (960) |
| Excess Interest | (49,908) | 49,908 | (23,206) | 23,206 |
| Other | <u>(10,024)</u> | <u>10,024</u> | <u>-</u> | <u>-</u> |
| | <u>\$ (10,488)</u> | <u>\$ 10,488</u> | <u>\$ 22,675</u> | <u>\$ (22,675)</u> |

8. TRANSFERS FROM MEMBERS OF THE LEGISLATIVE ASSEMBLY
SUPERANNUATION ACCOUNT

Former Members of the Legislative Assembly who have been granted superannuation allowances are paid contributory allowances and inflation adjustment supplements from the Public Service Superannuation Fund (the Fund).

A contributory allowance is financed at the time the allowance is first granted by the transfer to the Fund from the Members of the Legislative Assembly Superannuation Account (the Account) of the capitalized value of the contributory allowance.

Former Members receiving an allowance who are re-elected to the Legislature cease to receive an allowance and resume contributing to the Account. In addition, an amount equal to the capitalized value of their superannuation allowance is transferred from the Public Service Superannuation Fund to the Account.

During the year ended March 31, 1989, 2 Members (1988 - 2) were granted superannuation allowances. The capitalized value of these allowances was \$910,583 (1988 - \$1,035,766) which, along with the balance of current year inflation adjustment contributions of \$14,871 (1988 - \$14,497), is due from the Account.

PUBLIC SERVICE SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

9. ACTUARIAL VALUATION

According to the *Pension (Public Service) Act*, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary at least once in each consecutive period of not more than 5 years. The most recent valuation was carried out as at March 31, 1987. The valuation indicated a decrease in the unfunded liability in respect of basic pension benefits from \$555,858,000 as of March 31, 1984 to \$456,062,000 as of March 31, 1987. This decrease is the net result of a number of items, the most significant being greater than forecast income from investments, offset by experience gains and losses on other actuarial assumptions.

The contributions required under the pension plan were determined under a "level contribution" funding method. This method expresses employer contributions as a constant percentage of future payrolls that, together with future employee contributions and investment earnings, will finance the benefits for a typical new entrant to the plan and, in addition, will maintain the unfunded liability as a constant percentage of future payrolls.

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Superannuation Commissioner,

To the Minister of Government Management Services,
Province of British Columbia, and

To the Minister of Finance and Corporate Relations,
Province of British Columbia:

I have examined the statement of financial position of the Members of the Legislative Assembly Superannuation Account, an account in the Ministry of Finance and Corporate Relations, as at March 31, 1989 and the statement of changes in account balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Account as at March 31, 1989 and the changes in the account balance for the year then ended in accordance with the accounting principles described in note 3 to the financial statements applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with Part 2 of the Legislative Assembly Allowances and Pension Act. In my opinion, these transactions were, in all significant respects, in compliance with the Act.

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
July 28, 1989

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

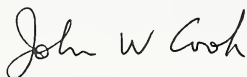
STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 1989

| | <u>1989</u> | <u>1988</u> |
|--|-----------------|-----------------|
| | (\$ Thousands) | |
| ASSETS | | |
| Cash | \$ 101 | \$ 228 |
| Due from Province of British Columbia (Note 5) | 597 | 623 |
| Contributions receivable | 60 | 50 |
| Accrued interest | 43 | 67 |
| Investments (Note 4) | <u>2,633</u> | <u>2,466</u> |
| | <u>\$ 3,434</u> | <u>\$ 3,434</u> |
| | | |
| LIABILITIES | | |
| Due to Public Service Superannuation Fund (Note 5) | 925 | 1,050 |
| | | |
| ACCOUNT BALANCE | <u>2,509</u> | <u>2,384</u> |
| | <u>\$ 3,434</u> | <u>\$ 3,434</u> |

The six accompanying notes are an integral part of these financial statements.

APPROVED BY:



John W. Cook, F.C.I.A.
Superannuation Commissioner



Victor Barwin, C.A.,
Director, Finance, Superannuation Commission

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

STATEMENT OF CHANGES IN ACCOUNT BALANCE

FOR THE YEAR ENDED MARCH 31, 1989

| | <u>1989</u> | <u>1988</u> |
|--|-----------------|-----------------|
| | (\$ Thousands) | |
| ACCOUNT BALANCE INCREASED BY | | |
| Members of the Legislative Assembly contributions | | |
| Regular | \$ 106 | \$ 102 |
| Reinstatement and arrears | <u>-</u> | <u>37</u> |
| | <u>106</u> | <u>139</u> |
| Province of British Columbia contributions | | |
| Regular | 106 | 103 |
| Reinstatement and arrears | - | 37 |
| Terminal funding on allowances granted (Note 5) | <u>597</u> | <u>623</u> |
| | <u>703</u> | <u>763</u> |
| Income from investments | <u>256</u> | <u>284</u> |
| TOTAL INCREASE | <u>1,065</u> | <u>1,186</u> |
| ACCOUNT BALANCE DECREASED BY | | |
| Transfers to the Public Service Superannuation Fund (Note 5) | | |
| Capitalized value of contributory allowances | 911 | 1,037 |
| Inflation adjustment contributions | <u>29</u> | <u>33</u> |
| TOTAL DECREASE | <u>940</u> | <u>1,070</u> |
| NET INCREASE IN ACCOUNT BALANCE | 125 | 116 |
| ACCOUNT BALANCE AT BEGINNING OF YEAR | <u>2,384</u> | <u>2,268</u> |
| ACCOUNT BALANCE AT END OF YEAR | <u>\$ 2,509</u> | <u>\$ 2,384</u> |

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

1. THE MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

Under Part 2 of the *Legislative Assembly Allowances and Pension Act*, the Members of the Legislative Assembly Superannuation Account is an account in the Ministry of Finance and Corporate Relations of the Province of British Columbia.

The Account receives contributions from the Crown in right of the Province as the employer and from participating members who are elected Members of the Legislative Assembly. The Minister of Finance and Corporate Relations invests available Account monies in various short-term and long-term investments.

When a member is granted a superannuation allowance, the amount required to finance his or her future contributory pension benefits is transferred to the Public Service Superannuation Fund and monthly contributory allowances are paid from that Fund. The Province provides additional funding if the amounts available in the Account are less than the capitalized value of allowances granted.

Former Members receiving an allowance who are re-elected to the Legislature cease to receive an allowance and resume contributing to the Account. In addition, an amount equal to the capitalized value of their superannuation allowance is transferred from the Public Service Superannuation Fund to the Account.

2. DESCRIPTION OF THE MEMBERS OF THE LEGISLATIVE ASSEMBLY PENSION PLAN

The following brief description of the plan is provided for general information only. For more complete information, reference should be made to the *Legislative Assembly Allowances and Pension Act*.

a) General

The plan is a defined benefit pension plan open to all Members of the Legislative Assembly.

b) Contributions

Members and the Province each contribute to the Account 9% of salary and indemnities up to the contribution limit provided for in section 8(6) of the *Income Tax Act (Canada)* as amended. For calendar years 1988 and 1989 this limit is \$3,500.

c) Retirement Benefits

A member of the plan is entitled to a superannuation allowance upon ceasing to be a Member after having served seven years or for more than two parliaments, and having attained the age of 55 years or having attained an age plus years of service as a member totalling 60 or more years.

The plan provides a superannuation allowance of 5% per year of service up to a maximum of 80% of the average legislative allowance, special allowance and ministerial salary earned in the highest four years of service as a Member and as a minister or specified office holder.

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

2. BENEFITS AVAILABLE UNDER THE PLAN (Continued)

d) Termination Benefits

A member of the plan who ceases to be a Member may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Former members leaving contributions on deposit are entitled, if otherwise eligible, to a deferred pension benefit.

e) Other Benefits

Disability and survivor benefits are available under the plan.

3. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the financial position of the Account as at March 31, 1989 and the changes in Account balance for the year then ended.

b) Investments

- (i) Short-term investments are carried at cost of acquisition.
- (ii) Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted by the amortization of discounts and premiums on a constant yield basis over the remaining terms of the investments.

4. INVESTMENTS

The book value of investments held at the end of the year was as follows:

| | <u>1989</u> | <u>1988</u> |
|------------------------|-----------------|-----------------|
| | (\$ Thousands) | |
| Short-term investments | \$ 1,635 | \$ 1,469 |
| Long-term investments | <u>998</u> | <u>997</u> |
| | <u>\$ 2,633</u> | <u>\$ 2,466</u> |

At March 31, 1989, the market value of the long-term investments was \$881,246 (1988 - \$914,169).

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

5. TRANSFERS TO THE PUBLIC SERVICE SUPERANNUATION FUND

During the year ended March 31, 1989, 2 members (1988 - 2) were granted superannuation allowances.

The capitalized value of these allowances was \$910,583 (1988 - \$1,035,766) which is included in the amount Due to Public Service Superannuation Fund. This amount includes a contribution from the Province of British Columbia of \$596,837 (1988 - \$623,442) representing the excess of the capitalized value of allowances granted over the unencumbered amounts available in the Account.

Under the *Legislative Assembly Allowances and Pension Act*, amounts deducted from members' eligible salaries and indemnities to secure inflation adjustment supplements and the matching payments made by the Province are transferable once a year from the Account to the Inflation Adjustment Account maintained in the Public Service Superannuation Fund, from which the supplementary allowances are paid. Any contributions received but not yet transferred is included in the amount Due to Public Service Superannuation Fund.

6. ACTUARIAL VALUATION

An actuarial valuation of the Account is not required by the *Legislative Assembly Allowances and Pension Act* and no such valuation has been performed to date.

MUNICIPAL SUPERANNUATION FUND

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Commissioner of Municipal Superannuation, and

To the Minister of Government Management Services,
Province of British Columbia:

I have examined the statement of financial position of the Municipal Superannuation Fund as at December 31, 1988 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1988 and the changes in the fund balance for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Municipal Superannuation Plan. In my opinion, these transactions were, in all significant respects, in compliance with the Plan.

A handwritten signature in cursive script, reading "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

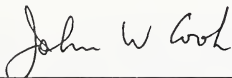
Victoria, British Columbia
June 16, 1989

MUNICIPAL SUPERANNUATION FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 1988

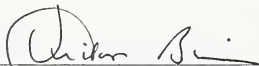
| | <u>1988</u> | <u>1987</u> |
|---|---------------------|---------------------|
| | (\$ Thousands) | |
| ASSETS | | |
| Cash | \$ 2,183 | \$ 954 |
| Contributions receivable | 23,549 | 19,886 |
| Accrued interest | 43,290 | 51,692 |
| Investments (Note 3) | 3,229,933 | 2,858,604 |
| Deferred losses less gains on sale of investments (Note 4) | <u>5,673</u> | <u>8,343</u> |
| | <u>\$ 3,304,628</u> | <u>\$ 2,939,479</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 2,342 | \$ 1,944 |
| FUND BALANCE | | |
| Basic Account | 2,841,765 | 2,536,199 |
| Retirement Annuity Account | 104,322 | 94,981 |
| Inflation Adjustment Account | <u>356,199</u> | <u>306,355</u> |
| | <u>3,302,286</u> | <u>2,937,535</u> |
| | <u>\$ 3,304,628</u> | <u>\$ 2,939,479</u> |

The six accompanying notes are an integral part of these financial statements.

APPROVED BY:



John W. Cook, F.C.I.A.,
Commissioner of Municipal Superannuation, Trustee



Victor Barwin, C.A.,
Director, Finance, Superannuation Commission

MUNICIPAL SUPERANNUATION FUND
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 1988

| | Basic Account | Retirement Annuity Account | Inflation Adjustment Account | Totals | |
|--|---------------------|----------------------------------|------------------------------------|---------------------|---------------------|
| | | | | 1988 | 1987 |
| (\$ Thousands) | | | | | |
| FUND BALANCE INCREASED BY | | | | | |
| Members' contributions | | | | | |
| Current | \$ 101,272 | \$ - | \$ 19,190 | \$ 120,462 | \$ 115,821 |
| Voluntary | - | - | - | - | 135 |
| Special agreement and arrears | 74 | 2,987 | 9 | 3,070 | 2,975 |
| Purchase of service | 164 | - | - | 164 | 191 |
| Leave of absence | 28 | - | 5 | 33 | 33 |
| Reinstatement | 176 | 10 | - | 186 | 165 |
| | <u>101,714</u> | <u>2,997</u> | <u>19,204</u> | <u>123,915</u> | <u>119,320</u> |
| Employers' contributions | | | | | |
| Current | 97,345 | - | 19,190 | 116,535 | 111,559 |
| Special agreement and arrears | 611 | 3,332 | 9 | 3,952 | 3,977 |
| Purchase of service | 181 | - | - | 181 | 211 |
| Leave of absence | 24 | - | 5 | 29 | 26 |
| | <u>98,161</u> | <u>3,332</u> | <u>19,204</u> | <u>120,697</u> | <u>115,773</u> |
| Transfers from other funds | 582 | - | 72 | 654 | 263 |
| Income from investments | <u>258,772</u> | <u>8,996</u> | <u>25,688</u> | <u>293,456</u> | <u>252,804</u> |
| TOTAL INCREASE | <u>459,229</u> | <u>15,325</u> | <u>64,168</u> | <u>538,722</u> | <u>488,160</u> |
| FUND BALANCE DECREASED BY | | | | | |
| Superannuation allowance payments | | | | | |
| Contributory | 115,365 | - | - | 115,365 | 103,844 |
| Inflation adjustment supplements | 27,519 | - | - | 27,519 | 23,226 |
| Special agreement supplements | 137 | - | - | 137 | 138 |
| Reimbursement from former employers | (54) | - | - | (54) | (63) |
| | <u>142,967</u> | <u>-</u> | <u>-</u> | <u>142,967</u> | <u>127,145</u> |
| Refunds | 21,276 | 463 | 3,594 | 25,333 | 24,641 |
| Transfers to other funds | 278 | - | 8 | 286 | 291 |
| Medical Plan premiums | 2,506 | - | - | 2,506 | 1,770 |
| Administration and actuarial fees | 2,183 | - | - | 2,183 | 1,779 |
| Investment management fees | <u>633</u> | <u>-</u> | <u>63</u> | <u>696</u> | <u>694</u> |
| TOTAL DECREASE | <u>169,843</u> | <u>463</u> | <u>3,665</u> | <u>173,971</u> | <u>156,320</u> |
| NET INCREASE BEFORE TRANSFERS | <u>289,386</u> | <u>14,862</u> | <u>60,503</u> | <u>364,751</u> | <u>331,840</u> |
| ACCOUNT TRANSFERS (Note 5) | <u>16,180</u> | <u>(5,521)</u> | <u>(10,659)</u> | <u>-</u> | <u>-</u> |
| NET INCREASE IN FUND BALANCE | <u>305,566</u> | <u>9,341</u> | <u>49,844</u> | <u>364,751</u> | <u>331,840</u> |
| FUND BALANCE AT BEGINNING OF YEAR | <u>2,536,199</u> | <u>94,981</u> | <u>306,355</u> | <u>2,937,535</u> | <u>2,605,695</u> |
| FUND BALANCE AT END OF YEAR | <u>\$ 2,841,765</u> | <u>\$ 104,322</u> | <u>\$ 356,199</u> | <u>\$ 3,302,286</u> | <u>\$ 2,937,535</u> |

MUNICIPAL SUPERANNUATION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1988

1. DESCRIPTION OF THE MUNICIPAL SUPERANNUATION PLAN

The following brief description of the plan is provided for general information only. For more complete information about the plan, reference should be made to the *Pension (Municipal) Act*.

a) General

The plan is a defined benefit pension plan open to eligible employees of a municipality, hospital, school district, regional college or other employer to which the *Pension (Municipal) Act* applies.

b) Contributions

Members contribute to the Basic Account 5% of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings and 6-1/2% on pensionable salary above that. Employers contribute to the Basic Account at varying rates depending upon the mix of employees in the group classifications specified by the plan. Members and employers also each contribute 1% of pensionable salary to the Inflation Adjustment Account which was created in 1980 to provide for the payment of inflation adjustment supplements. Some employers have special agreements with their employees by which both make extra contributions to increase the employees' pensions. These contributions plus members' voluntary contributions are credited to the Retirement Annuity Account.

c) Retirement Benefits

Members are eligible for unreduced pensions if retirement is at normal retirement age as defined in the plan, or at an age within 5 years of normal retirement age with at least 10 years contributory service. Unreduced pensions are also available to members whose normal retirement age is 65, at age 55 with at least 35 years contributory service, or if the normal retirement age is 60, at age 50 with 30 years contributory service. Members who do not meet the above criteria are eligible for reduced pensions at an age 10 years under the normal retirement age with at least 10 years contributory service, or if retiring within 5 years under the normal retirement age with less than 10 years contributory service.

The plan provides a pension of 1-3/4% of the highest 5-year average salary for each year of pensionable service credited prior to the date the employer enrolled in the plan, plus 2% of the highest 5-year average salary for each year after the date the employer enrolled. The maximum pensionable service allowable under the plan is 35 years. At age 65, or date of death or disability, if earlier, there is a reduction in the formula as a result of integration with the Canada Pension Plan.

The inflation adjustment supplements are provided each January 1st and are related to the annual increase in the Consumer Price Index (CPI) as at the previous September 30th. The increase is pro-rated if the capitalized value of the increases exceeds the funds available in the Inflation Adjustment Account. As there were sufficient funds available at January 1, 1988, a full CPI increase of 4.5% (1987 - 4.1%) was provided to the basic lifetime portion of the contributory superannuation allowances in force. Sufficient funds were also available to provide a full CPI increase of 4.1% effective January 1, 1989.

MUNICIPAL SUPERANNUATION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1988

1. DESCRIPTION OF THE MUNICIPAL SUPERANNUATION PLAN (Continued)

d) Termination and Portability Benefits

A terminating member may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Members with at least 10 years of contributory service who leave contributions in the Fund are entitled to deferred pension benefits. Those members not withdrawing contributions may carry certain pension rights to other pension plans that have portability arrangements with the Municipal Superannuation Plan. New members may also, under portability arrangements, transfer contributions and service from other plans to provide increased pension benefits under the Municipal Superannuation Plan.

e) Other Benefits

Disability and survivor benefits are available under the plan.

f) Legislation

Bill 39, the *Pension (Miscellaneous Amendments) Act*, 1988, which received Royal Assent on June 29, 1988 provided for numerous amendments to the *Pension (Municipal) Act*. The provisions of the Act were changed to remove the age restriction for becoming a member of the plan and to require that a member will always remain a member while still employed with the same employer.

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the financial position of the Fund as at December 31, 1988 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the superannuation plan. The results of the latest actuarial valuation of the plan are described in Note 6.

b) Investments

- (i) Short-term investments are carried at cost of acquisition.
- (ii) Units in Pooled Investment Portfolios are carried at the cost of acquisition adjusted by income attributed to the units. Income attributed to the units represents the Fund's share of investment income earned by the Portfolios and is realizable by the Fund upon the sale of the units.
- (iii) Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted by the amortization of discounts and premiums on a constant yield basis over the remaining terms of the investments.

c) Deferred Losses Less Gains on Sale of Investments

Gains and losses on disposal of long-term investments are deferred and amortized on a straight line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

MUNICIPAL SUPERANNUATION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1988

3. INVESTMENTS

The book value of investments held at the end of the year was as follows:

| | <u>1988</u> | <u>1987</u> |
|--|---------------------|---------------------|
| | (\$ Thousands) | |
| Short-term investments | \$ - | \$ 241,602 |
| Units in Province of British Columbia Pooled Investment Portfolios | 1,224,038 | 759,760 |
| Long-term investments | <u>2,005,895</u> | <u>1,857,242</u> |
| | <u>\$ 3,229,933</u> | <u>\$ 2,858,604</u> |

As at December 31, 1988, the market value of the units was \$1,223,850,837 (1987 - \$761,028,936) and the market value of the long-term investments was \$1,940,404,144 (1987 - \$1,800,418,293).

4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

| | <u>1988</u> | <u>1987</u> |
|---|-----------------|-----------------|
| | (\$ Thousands) | |
| Balance at beginning of year | \$ 8,343 | \$ 10,202 |
| Gains less losses on sale of investments | <u>2,460</u> | <u>1,155</u> |
| | 5,883 | 9,047 |
| Amortization for the year | <u>210</u> | <u>704</u> |
| Balance at end of year | <u>\$ 5,673</u> | <u>\$ 8,343</u> |

5. ACCOUNT TRANSFERS

The Basic Account is increased by the capitalized value of inflation adjustment supplements and pensions purchased from the Retirement Annuity Account and the capitalized value of the indexing of the highest average salary for employees electing deferred pensions during the year.

The Inflation Adjustment Account is increased by income that is earned on assets held in the Basic Account in respect of pensions being paid, and which is in excess of income calculated using the interest rate assumed by the Actuary.

MUNICIPAL SUPERANNUATION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1988

| | 1988 | | | 1987 | | |
|---|------------------|----------------------------------|------------------------------------|------------------|----------------------------------|------------------------------------|
| | Basic Account | Retirement Annuity Account | Inflation Adjustment Account | Basic Account | Retirement Annuity Account | Inflation Adjustment Account |
| | (\$ Thousands) | | | | | |
| Capitalized value of inflation adjustment supplements granted | \$ 48,624 | \$ - | \$ (48,624) | \$ 39,042 | \$ - | \$ (39,042) |
| Capitalized value of indexing of highest average salary | 1,600 | - | (1,600) | 1,580 | - | (1,580) |
| Excess interest | (39,556) | - | 39,556 | (27,680) | - | 27,680 |
| Pensions purchased from Retirement Annuity Account | 5,248 | (5,248) | - | 5,610 | (5,610) | - |
| Other | 264 | (273) | 9 | 108 | (112) | 4 |
| | <u>\$ 16,180</u> | <u>\$ (5,521)</u> | <u>\$ (10,659)</u> | <u>\$ 18,660</u> | <u>\$ (5,722)</u> | <u>\$ (12,938)</u> |

6. ACTUARIAL VALUATION

According to the *Pension (Municipal) Act*, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary at intervals of not more than five years. The most recent valuation was carried out as at December 31, 1985 and indicated an unfunded liability of \$855,352,000 in respect of basic pension benefits. This represented an increase of \$154,898,000 since December 31, 1982, the date of the previous valuation, and arose mainly from interest charges on the unfunded liability.

The Actuary stated that he did not see the unfunded liability as a threat to the continued payment of pensions to current and prospective pensioners, or to the financial health of the pension plan. He did, however, recommend that the statutory contribution rates be increased to at least those required under the level contribution method. This method expresses employer contributions as a constant percentage of future payrolls that, together with future employee contributions and investment earnings, will finance the benefits for a typical new entrant to the plan and, in addition, will maintain the unfunded liability as a constant percentage of future payrolls. To date the contribution rates have not been changed.

TEACHERS' PENSIONS FUND



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Commissioner of Teachers' Pensions, and

To the Minister of Government Management Services,
Province of British Columbia:

I have examined the statement of financial position of the Teachers' Pensions Fund as at December 31, 1988 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1988 and the changes in the fund balance for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Pension (Teachers) Act. In my opinion, these transactions were, in all significant respects, in compliance with the Act.

A handwritten signature in dark ink, appearing to read "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

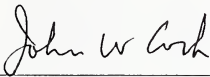
Victoria, British Columbia
May 30, 1989

TEACHERS' PENSIONS FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 1988

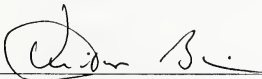
| | <u>1988</u> | <u>1987</u> |
|---|---------------------|---------------------|
| | (\$ Thousands) | |
| ASSETS | | |
| Cash | \$ 1,777 | \$ 668 |
| Contributions receivable | 16,127 | 12,067 |
| Accrued interest | 33,223 | 39,989 |
| Investments (Note 3) | 2,453,480 | 2,174,954 |
| Deferred losses less gains on sale of investments (Note 4) | <u>6,895</u> | <u>8,438</u> |
| | <u>\$ 2,511,502</u> | <u>\$ 2,236,116</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 1,239 | \$ 949 |
| FUND BALANCE | | |
| Basic Account | 2,254,131 | 2,012,103 |
| Inflation Adjustment Account | <u>256,132</u> | <u>223,064</u> |
| | <u>2,510,263</u> | <u>2,235,167</u> |
| | <u>\$ 2,511,502</u> | <u>\$ 2,236,116</u> |

The seven accompanying notes are an integral part of these financial statements.

APPROVED BY:



John W. Cook, F.C.I.A.,
Commissioner of Teachers' Pensions, Trustee



Victor Barwin, C.A.,
Director, Finance, Superannuation Commission

TEACHERS' PENSIONS FUND
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 1988

| | Basic Account | Inflation Adjustment Account | Totals | |
|---|---------------------|------------------------------------|---------------------|---------------------|
| | | | 1988 | 1987 |
| | (\$ Thousands) | | | |
| FUND BALANCE INCREASED BY | | | | |
| Members' contributions | | | | |
| Current | \$ 63,262 | \$ 11,357 | \$ 74,619 | \$ 69,999 |
| Voluntary | 17 | - | 17 | 42 |
| Reinstatement | 487 | - | 487 | 556 |
| Leave of absence | <u>532</u> | <u>63</u> | <u>595</u> | <u>514</u> |
| | <u>64,298</u> | <u>11,420</u> | <u>75,718</u> | <u>71,111</u> |
| Employers' contributions | | | | |
| Province of British Columbia on behalf of school districts | | | | |
| Current | 93,705 | 11,331 | 105,036 | 98,446 |
| Early Retirement Plan (Note 6) | 5,332 | 1,250 | 6,582 | 2,939 |
| Other employers | | | | |
| Current | 270 | 32 | 302 | 279 |
| Early Retirement Plan (Note 6) | <u>15</u> | <u>4</u> | <u>19</u> | <u>-</u> |
| | <u>99,322</u> | <u>12,617</u> | <u>111,939</u> | <u>101,664</u> |
| Transfers from other funds | 1,514 | 29 | 1,543 | 2,679 |
| Income from investments | <u>207,168</u> | <u>17,730</u> | <u>224,898</u> | <u>194,401</u> |
| TOTAL INCREASE | <u>372,302</u> | <u>41,796</u> | <u>414,098</u> | <u>369,855</u> |
| FUND BALANCE DECREASED BY | | | | |
| Superannuation allowance payments | | | | |
| Contributory | 103,159 | - | 103,159 | 93,054 |
| Inflation adjustment supplements | <u>28,188</u> | <u>-</u> | <u>28,188</u> | <u>24,089</u> |
| | <u>131,347</u> | <u>-</u> | <u>131,347</u> | <u>117,143</u> |
| Refunds | 4,994 | 628 | 5,622 | 5,755 |
| Transfers to other funds | 328 | 20 | 348 | 476 |
| Administration and actuarial fees | 1,108 | - | 1,108 | 819 |
| Investment management fees | <u>530</u> | <u>47</u> | <u>577</u> | <u>563</u> |
| TOTAL DECREASE | <u>138,307</u> | <u>695</u> | <u>139,002</u> | <u>124,756</u> |
| NET INCREASE BEFORE TRANSFERS | 233,995 | 41,101 | 275,096 | 245,099 |
| ACCOUNT TRANSFERS (Note 5) | <u>8,033</u> | <u>(8,033)</u> | <u>-</u> | <u>-</u> |
| NET INCREASE IN FUND BALANCE | 242,028 | 33,068 | 275,096 | 245,099 |
| FUND BALANCE AT BEGINNING OF YEAR | <u>2,012,103</u> | <u>223,064</u> | <u>2,235,167</u> | <u>1,990,068</u> |
| FUND BALANCE AT END OF YEAR | <u>\$ 2,254,131</u> | <u>\$ 256,132</u> | <u>\$ 2,510,263</u> | <u>\$ 2,235,167</u> |

TEACHERS' PENSIONS FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1988

1. DESCRIPTION OF THE TEACHERS' PENSION PLAN

The following brief description of the plan is provided for general information only. For more complete information about the plan, reference should be made to the *Pension (Teachers) Act*.

a) General

The plan is a defined benefit pension plan open to all certified teachers and to superintendents or assistant superintendents appointed by a board of school trustees in the British Columbia public school system.

b) Contributions

Members contribute to the Basic Account 5.1% of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings and 6.6% on pensionable salary above that. The employers' contributory rates are 7.8% and 9.3% respectively. Members and employers also each contribute 1% of pensionable salary to the Inflation Adjustment Account which was created in 1980 to provide for the payment of inflation adjustment supplements.

c) Retirement Benefits

Members are eligible for an unreduced pension benefit if retirement is at age 65, at age 55 with a minimum of 35 years contributory service, or at age 60 with a minimum of 10 years contributory service. Reduced pensions are available at age 55 with a minimum of 10 years contributory service or if retiring at age 60 with less than 10 years contributory service.

The plan provides a pension of 2% of the highest 5-year average annual salary for each year of pensionable service to a maximum of 35 years. At age 65, or date of death or disability, if earlier, there is a reduction in the formula as a result of integration with the Canada Pension Plan.

The inflation adjustment supplements are provided each January 1st and are related to the annual increase in the Consumer Price Index (CPI) as at the previous September 30th. The increase is pro-rated if the capitalized value of the increases exceeds the funds available in the Inflation Adjustment Account. As there were sufficient funds available at January 1, 1988, a full CPI increase of 4.5% (1987-4.1%) was provided to the basic lifetime portion of the contributory superannuation allowances in force. Sufficient funds were also available to provide a full CPI increase of 4.1% effective January 1, 1989.

d) Termination and Portability Benefits

A terminating member may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Members with at least 10 years of contributory service who leave contributions in the Fund are entitled to deferred pension benefits. Those members not withdrawing contributions may carry certain pension rights to other pension plans that have portability arrangements with the Teachers' Pension Plan. New members may also, under portability arrangements, transfer contributions and service from other plans to provide increased pension benefits under the Teachers' Pension Plan.

e) Other Benefits

Disability and survivor benefits are available under the plan.

TEACHERS' PENSIONS FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1988

1. DESCRIPTION OF THE TEACHERS' PENSION PLAN (Continued)

f) Legislation

Bill 39, the *Pension (Miscellaneous Amendments) Act, 1988*, which received Royal Assent on June 29, 1988 provided for numerous amendments to the *Pension (Teachers) Act*. The provisions of the Act were changed to remove the age restriction for becoming a member of the plan and to require that a member will always remain a member while still employed with the same employer.

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the financial position of the Fund as at December 31, 1988 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the pension plan. The results of the latest actuarial valuation of the plan are described in Note 7 below.

b) Investments

- (i) Short-term investments are carried at cost of acquisition.
- (ii) Units in Pooled Investment Portfolios are carried at the cost of acquisition adjusted by income attributed to the units. Income attributed to the units represents the Fund's share of investment income earned by the Portfolios and is realizable by the Fund upon the sale of the units.
- (iii) Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted by the amortization of discounts and premiums on a constant yield basis over the remaining terms of the investments.

c) Deferred Losses Less Gains on Sale of Investments

Gains and losses on disposal of long-term investments are deferred and amortized on a straight line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

3. INVESTMENTS

The book value of investments held at the end of the year was as follows:

| | 1988 | 1987 |
|--|---------------------|---------------------|
| | (\$ Thousands) | |
| Short-term investments | \$ - | \$ 191,368 |
| Units in Province of British Columbia Pooled Investment Portfolios | 929,205 | 536,078 |
| Long-term investments | <u>1,524,275</u> | <u>1,447,508</u> |
| | <u>\$ 2,453,480</u> | <u>\$ 2,174,954</u> |

As at December 31, 1988, the market value of the units was \$929,206,621 (1987 - \$537,141,675) and the market value of the long-term investments was \$1,481,547,844 (1987 - \$1,410,702,105).

TEACHERS' PENSIONS FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1988

4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

| | <u>1988</u> | <u>1987</u> |
|--|-----------------|-----------------|
| | (\$ Thousands) | |
| Balance at beginning of year | \$ 8,438 | \$ 10,447 |
| Gains less losses on sale of investments | <u>883</u> | <u>867</u> |
| | 7,555 | 9,580 |
| Amortization for the year | <u>660</u> | <u>1,142</u> |
| Balance at end of year | <u>\$ 6,895</u> | <u>\$ 8,438</u> |

5. ACCOUNT TRANSFERS

The Basic Account is increased by the capitalized value of inflation adjustment supplements granted and the capitalized value of indexing of the highest average salary for members electing deferred pensions during the year.

The Inflation Adjustment Account is increased by income that is earned on assets held in the Basic Account in respect of pensions being paid, and which is in excess of income calculated using the interest rate assumed by the Actuary.

| | <u>1988</u> | | <u>1987</u> | |
|---|-----------------|-------------------|------------------|--------------------|
| | <u>Basic</u> | <u>Inflation</u> | <u>Basic</u> | <u>Inflation</u> |
| | <u>Account</u> | <u>Adjustment</u> | <u>Account</u> | <u>Adjustment</u> |
| | (\$ Thousands) | | | |
| Capitalized Value of inflation adjustment supplements granted | \$ 46,253 | \$ (46,253) | \$ 38,951 | \$ (38,951) |
| Capitalized Value of indexing of highest average salary | 820 | (820) | 1,080 | (1,080) |
| Excess Interest | (38,471) | 38,471 | (29,355) | 29,355 |
| Other | <u>(569)</u> | <u>569</u> | <u>(2)</u> | <u>2</u> |
| | <u>\$ 8,033</u> | <u>\$ (8,033)</u> | <u>\$ 10,674</u> | <u>\$ (10,674)</u> |

6. EARLY RETIREMENT PLAN

An amendment to the *Pension (Teachers) Act* in 1988 provided a "55 and Out" Early Retirement Plan for eligible teachers who retire during the period from April 1, 1987, to June 30, 1989.

TEACHERS' PENSIONS FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1988

6. EARLY RETIREMENT PLAN (Continued)

The "55 and Out" Early Retirement Plan provides an incentive for teachers between the ages of 55 and 60 to retire early by removing the pension reduction of 5% for each year of early retirement under age 60. The Province, on behalf of school districts, and the British Columbia Teachers Federation have agreed to pay amounts to the Fund to offset the cost of this new plan provision. The amounts paid each year will be the greater of the salary savings resulting from replacing the retiring teacher with a teacher paid at a lower salary or a fixed schedule of actuarially determined payments until such time as the full amount has been paid. For the year ended December 31, 1988, \$6,582,442 (1987 - \$2,939,000) is due from the Province and \$19,000 (1987 - NIL) is due from the Federation for the 254 teachers (1988 - 198 teachers) who elected to participate in this plan during the year. The amounts remaining to be paid for the teachers who have elected to participate in the plan at December 31, 1988 is \$8,778,955 (1987 - \$4,243,886).

7. ACTUARIAL VALUATION

According to the *Pension (Teachers) Act*, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary at intervals of not more than five years. The most recent valuation was carried out as at December 31, 1987 and indicated an unfunded liability of \$1,605,045,000 in respect of basic pension benefits. This represented an increase of \$212,929,000 since December 31, 1984, the date of the previous valuation, and arose mainly from interest charges on the unfunded liability.

The Actuary stated that he did not see the increase in the unfunded liability as a threat to the continued payment of pensions to current and prospective pensioners. He does, however, recommend that the statutory contribution rates be increased from their current maximum combined rate of 15.90% of total salaries to a maximum combined rate of 16.81% of total salaries. The contribution rates recommended by the Actuary were determined under the "level contribution" funding method. This method expresses employer contributions as a constant percentage of future payrolls that, together with future member contributions and investment earnings, will finance the benefits for a typical new entrant to the plan and, in addition, will maintain the unfunded liability as a constant percentage of future payrolls. To date the contribution rates have not been changed.

COLLEGE PENSION FUND

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
(604) 387-6803

AUDITOR'S REPORT

To the Superannuation Commissioner, Trustee, and

To the Minister of Government Management Services
Province of British Columbia:

I have examined the statement of financial position of the College Pension Fund as at August 31, 1988 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at August 31, 1988 and the changes in the fund balance for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the Pension (College) Act. In my opinion, these transactions were, in all significant respects, in compliance with the Act.

A handwritten signature in dark ink, reading "George L. Morfitt". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
December 13, 1988

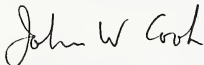
PROVINCE OF BRITISH COLUMBIA

COLLEGE PENSION FUND
STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 1988

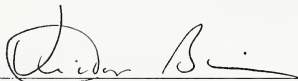
| | <u>1988</u> | <u>1987</u> |
|---|-------------------|-------------------|
| | (\$ Thousands) | |
| ASSETS | | |
| Cash | \$ 268 | \$ 221 |
| Contributions receivable | 1,299 | 1,100 |
| Accrued interest | 3,576 | 4,549 |
| Investments (Note 3) | 212,398 | 184,106 |
| Deferred losses less gains on sale of investments (Note 4) | <u>303</u> | <u>208</u> |
| | <u>\$ 217,844</u> | <u>\$ 190,184</u> |
| | | |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 68 | \$ 103 |
| FUND BALANCE | | |
| Basic Account | 196,055 | 171,482 |
| Inflation Adjustment Account | <u>21,721</u> | <u>18,599</u> |
| | <u>217,776</u> | <u>190,081</u> |
| | <u>\$ 217,844</u> | <u>\$ 190,184</u> |

The six accompanying notes are an integral part of these financial statements.

APPROVED BY:



JOHN W. COOK, F.C.I.A.,
Superannuation Commissioner, Trustee



VICTOR BARWIN, C.A.,
Director, Finance, Superannuation Commission

COLLEGE PENSION FUND
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED AUGUST 31, 1988

| | Basic <u>Account</u> | Inflation Adjustment <u>Account</u> | <u>Totals</u> | |
|-----------------------------------|-------------------------|---|-------------------|-------------------|
| | | | 1988 | 1987 |
| | (\$ Thousands) | | | |
| FUND BALANCE INCREASED BY | | | | |
| Members' contributions | | | | |
| Current | \$ 5,806 | \$ 1,141 | \$ 6,947 | \$ 6,343 |
| Voluntary | 1 | - | 1 | 3 |
| Arrears | <u>41</u> | <u>-</u> | <u>41</u> | <u>68</u> |
| | <u>5,848</u> | <u>1,141</u> | <u>6,989</u> | <u>6,414</u> |
| Employers' contributions | | | | |
| Current | 5,806 | 1,141 | 6,947 | 6,343 |
| Arrears | <u>41</u> | <u>-</u> | <u>41</u> | <u>68</u> |
| | <u>5,847</u> | <u>1,141</u> | <u>6,988</u> | <u>6,411</u> |
| Transfers from other funds | 52 | 8 | 60 | - |
| Income from investments | <u>16,611</u> | <u>1,677</u> | <u>18,288</u> | <u>15,629</u> |
| TOTAL INCREASE | <u>28,358</u> | <u>3,967</u> | <u>32,325</u> | <u>28,454</u> |
| FUND BALANCE DECREASED BY | | | | |
| Superannuation allowance payments | | | | |
| Contributory | 3,017 | - | 3,017 | 2,546 |
| Inflation adjustment supplements | <u>531</u> | <u>-</u> | <u>531</u> | <u>434</u> |
| | 3,548 | - | 3,548 | 2,980 |
| Refunds | 666 | 111 | 777 | 746 |
| Transfers to other funds | 60 | 7 | 67 | 32 |
| Medical Plan premiums | 44 | - | 44 | 33 |
| Administration and actuarial fees | 92 | - | 92 | 66 |
| Investment management fees | <u>92</u> | <u>10</u> | <u>102</u> | <u>116</u> |
| TOTAL DECREASE | <u>4,502</u> | <u>128</u> | <u>4,630</u> | <u>3,973</u> |
| NET INCREASE BEFORE TRANSFERS | 23,856 | 3,839 | 27,695 | 24,481 |
| ACCOUNT TRANSFERS (NOTE 5) | <u>717</u> | <u>(717)</u> | <u>-</u> | <u>-</u> |
| NET INCREASE IN FUND BALANCE | 24,573 | 3,122 | 27,695 | 24,481 |
| FUND BALANCE AT BEGINNING OF YEAR | <u>171,482</u> | <u>18,599</u> | <u>190,081</u> | <u>165,600</u> |
| FUND BALANCE AT END OF YEAR | <u>\$ 196,055</u> | <u>\$ 21,721</u> | <u>\$ 217,776</u> | <u>\$ 190,081</u> |

COLLEGE PENSION FUND

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 1988

1. DESCRIPTION OF THE COLLEGE PENSION PLAN

The following brief description of the plan is provided for general information only. For more complete information about the plan, reference should be made to the *Pension (College) Act*.

a) General

The plan is a contributory defined benefit pension plan open to full-time faculty members of a college or college council in British Columbia, other faculty members whose application has been approved by the employer, and full-time senior administrative employees. Full-time faculty members may apply within one month of date of appointment to be exempted from contributing to the plan. See also Note 1(f).

b) Contributions

Members and employers each contribute to the Basic Account 4-1/2% of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings and 6% on pensionable salary above that. They also each contribute 1% of pensionable salary to the Inflation Adjustment Account which was created in 1980 to provide for the payment of inflation adjustment supplements. See also Note 1(f).

c) Retirement Benefits

Members are eligible for an unreduced pension benefit if they retire at age 55 with a minimum of 35 years contributory service, at age 60 with a minimum of 10 years contributory service or at age 65 with less than 10 years contributory service. Reduced pensions are available at age 55 with a minimum of 10 years contributory service, and at age 60 with less than 10 years contributory service.

The plan provides for a pension of 2% of the highest 5-year average annual salary for each year of pensionable service (to a maximum of 35 years). At age 65, or date of death or disability, if earlier, there is a reduction in the formula as a result of integration with the Canada Pension Plan.

Increases in the inflation adjustment supplements are provided each January 1st and are related to the annual increase in the Consumer Price Index (CPI) as at the previous September 30th. The increase is pro-rated if the capitalized value of the increase exceeds the funds available in the Inflation Adjustment Account. As there were sufficient funds available at January 1, 1988, a full CPI increase of 4.5% (1987 - 4.1%) to the basic lifetime portion of the contributory superannuation allowances in force was provided.

d) Termination and Portability Benefits

A terminating member may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Members who leave contributions in the Fund are entitled to deferred pension benefits. Those members not withdrawing contributions may carry certain pension rights to other pension plans that have portability arrangements with the College Pension Plan. New members may also, under portability arrangements, transfer contributions and service from other plans to increase pension benefits under the College Pension Plan.

COLLEGE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 1988

1. DESCRIPTION OF THE COLLEGE PENSION PLAN (Continued)

e) Other Benefits

Disability and survivor benefits are available under the plan.

f) Legislation

Bill 39, the *Pension (Miscellaneous Amendments) Act, 1988*, which received Royal Assent on June 29, 1988 provided for numerous amendments to the *Pension (College) Act*. Effective September 1, 1988, enrolment of full-time faculty in the pension plan is compulsory. The provisions of the Act were clarified to require that senior administrative staff contribute to the plan and that a contributor will always remain a contributor while still employed with the same employer.

Effective January 1, 1989, the members' and employers' contribution rates to the Inflation Adjustment Account will be decreased from 1% to 0.5% of pensionable salary. This decrease will be offset by a corresponding rates increase of 0.5% to the Basic Account.

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at August 31, 1988 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the pension plan. The results of the latest actuarial valuation of the plan are described in Note 6 below.

b) Investments

- (i) Short-term investments are carried at cost of acquisition.
- (ii) Units in Pooled Investment Portfolios are carried at the cost of acquisition adjusted by income attributed to the units. Income attributed to the units represents the Fund's share of investment income earned by the Portfolios and is realizable by the Fund upon the sale of the units.
- (iii) Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted by the amortization of discounts and premiums on a constant yield basis over the remaining terms of the investments.

c) Deferred Losses Less Gains on Sale of Investments

Gains and losses on disposal of long-term investments are deferred and amortized on a straight-line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

COLLEGE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 1988

3. INVESTMENTS

The book value of investments held at the end of the year was as follows:

| | <u>1988</u> | <u>1987</u> |
|--|-------------------|-------------------|
| | (\$ Thousands) | |
| Short-term investments | \$ - | \$ 42,407 |
| Units in Province of British Columbia Pooled Investment Portfolios | 75,473 | 19,881 |
| Long-term investments | <u>136,925</u> | <u>121,818</u> |
| | <u>\$ 212,398</u> | <u>\$ 184,106</u> |

At August 31, 1988, the market value of the units in Pooled Investment Portfolios was \$75,436,000 (1987 - \$19,828,000) and the market value of the long-term investments was \$130,141,000 (1987 - \$115,449,000).

4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

| | <u>1988</u> | <u>1987</u> |
|---|----------------|---------------|
| | (\$ Thousands) | |
| Balance at beginning of year | \$ 208 | \$ 507 |
| Losses less gains (gains less losses) on sale of investments | <u>136</u> | <u>(278)</u> |
| | 344 | 229 |
| Amortization for the year | <u>41</u> | <u>21</u> |
| Balance at end of year | <u>\$ 303</u> | <u>\$ 208</u> |

5. ACCOUNT TRANSFERS

The Basic Account is increased by the capitalized value of inflation adjustment supplements granted and the capitalized value of indexing of the highest average salary for members electing deferred pensions during the year.

The Inflation Adjustment Account is increased by income that is earned on assets held in the Basic Account in respect of pensions being paid, and that is in excess of income calculated using the interest rate assumed by the Actuary.

| | <u>1988</u> | | <u>1987</u> | |
|---|--------------------------|---|--------------------------|---|
| | <u>Basic Account</u> | <u>Inflation Adjustment Account</u> | <u>Basic Account</u> | <u>Inflation Adjustment Account</u> |
| Capitalized value of inflation adjustment supplements granted | \$ 1,223 | \$ (1,223) | \$ 958 | \$ (958) |
| Capitalized value of indexing of highest average salary | 160 | (160) | 160 | (160) |
| Excess interest | (651) | 651 | (680) | 680 |
| Other | <u>(15)</u> | <u>15</u> | <u>(18)</u> | <u>18</u> |
| | <u>\$ 717</u> | <u>\$ (717)</u> | <u>\$ 420</u> | <u>\$ (420)</u> |

COLLEGE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 1988

6. ACTUARIAL VALUATION

According to the *Pension (College) Act*, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary upon request by the Superannuation Commissioner. The most recent valuation was carried out as at August 31, 1985. The valuation indicated an unfunded liability in respect of basic pension benefits of \$60,891,000 as of August 31, 1985, compared to \$45,422,000 as of August 31, 1981, the date of the previous valuation. The increase in the unfunded liability was caused mainly by inadequacies in the statutory contribution rates.

The Actuary stated that he did not see the increase in the unfunded liability as a threat to the continued payment of pensions to current and prospective pensioners nor to the financial health of the pension plan, provided the statutory contribution rates are increased from their current combined maximum rate of 12% of total salaries to a combined maximum rate of at least 15.04% of total salaries. Effective January 1, 1989, the combined rate was increased to 13%.

The contribution level recommended by the Actuary was determined under a "level contribution" funding method. This method expresses employer contributions as a constant percentage of future payrolls that, together with future member contributions and investment earnings, will finance the benefits for a typical new entrant to the plan and, in addition, will maintain the unfunded liability as a constant percentage of future payrolls.

BC RAIL LTD. PENSION FUND



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
(604) 387-6803

AUDITOR'S REPORT

To the Chairman and Members of the Board of Directors of BC Rail Ltd., and

To the Minister of Government Management Services,
Province of British Columbia:

I have examined the statement of financial position of the BC Rail Ltd. Pension Fund as at December 31, 1988 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1988 and the changes in the fund balance for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink, reading "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
February 28, 1989

BC RAIL LTD. PENSION FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 1988


| | <u>1988</u> | <u>1987</u> |
|---|-------------------|-------------------|
| | (\$ Thousands) | |
| ASSETS | | |
| Cash | \$ 128 | \$ 188 |
| Contributions receivable | 1,005 | 904 |
| Accrued interest | 2,757 | 2,760 |
| Investments (Note 3) | 199,952 | 175,474 |
| Deferred losses less gains on sale of investments (Note 4) | <u>226</u> | <u>278</u> |
| | <u>\$ 204,068</u> | <u>\$ 179,604</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 26 | \$ 54 |
| FUND BALANCE | | |
| Pension Fund Basic Account | 203,529 | 179,067 |
| Members' Voluntary Contributions Account | <u>513</u> | <u>483</u> |
| | <u>204,042</u> | <u>179,550</u> |
| | <u>\$ 204,068</u> | <u>\$ 179,604</u> |

The five accompanying notes are an integral part of these financial statements.

APPROVED BY:



JOHN W. COOK, F.C.I.A.,
Superannuation Commissioner, Trustee



VICTOR BARWIN, C.A.,
Director, Finance, Superannuation Commission

BC RAIL LTD. PENSION FUND
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 1988

| | <u>1988</u> | <u>1987</u> |
|-----------------------------------|-------------------|-------------------|
| | (\$ Thousands) | |
| FUND BALANCE INCREASED BY | | |
| Members' contributions | | |
| Current | \$ 5,116 | \$ 4,777 |
| Arrears and purchase of service | 42 | 29 |
| Voluntary | <u>18</u> | <u>19</u> |
| | <u>5,176</u> | <u>4,825</u> |
| Employer's contributions | | |
| Current | 5,525 | 4,777 |
| Arrears and purchase of service | <u>35</u> | <u>37</u> |
| | <u>5,560</u> | <u>4,814</u> |
| Income from investments | <u>18,729</u> | <u>16,114</u> |
| TOTAL INCREASE | <u>29,465</u> | <u>25,753</u> |
| FUND BALANCE DECREASED BY | | |
| Pension payments | 3,594 | 3,042 |
| Refunds | 1,282 | 858 |
| Investment management fees | <u>97</u> | <u>99</u> |
| TOTAL DECREASE | <u>4,973</u> | <u>3,999</u> |
| NET INCREASE IN FUND BALANCE | 24,492 | 21,754 |
| FUND BALANCE AT BEGINNING OF YEAR | <u>179,550</u> | <u>157,796</u> |
| FUND BALANCE AT END OF YEAR | <u>\$ 204,042</u> | <u>\$ 179,550</u> |

BC RAIL LTD. PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1988

1. DESCRIPTION OF THE BC RAIL LTD. PENSION PLAN

The following brief description of the plan is provided for general information only. For more complete information, reference should be made to the plan.

a) General

The plan is a contributory defined benefit pension plan. All eligible employees are required to enrol.

b) Contributions

Members contribute to the Fund 4.5% of salary up to the Year's Maximum Pensionable Earnings and 6% of salary above that amount. No contributions are required above the maximum amount a member may deduct in a calendar year for Income Tax purposes, after completion of 35 years of pensionable service, after the normal retirement date or while the member is on approved long term disability. The employer makes contributions on the recommendation of an independent Actuary; however, the employer contribution cannot be less than the required members' contributions.

c) Retirement Benefits

Members who have either reached age 65, or reached age 60 with at least 25 years of pensionable service, are eligible for unreduced pension benefits. Members are also eligible for unreduced pension benefits if they are between ages 55 and 59 inclusive and have completed 30 years of pensionable service. All other retiring members have a reduction formula applied to their pensions.

A member retiring on an unreduced pension receives an annual pension to age 65 of 2% per year of pensionable service up to a maximum of 70% of the member's best 5 year average earnings, out of any period of continuous service not exceeding 10 years. At age 65, the pension is reduced as a result of integration with the Canada Pension Plan.

d) Termination Benefits

Terminating members who have completed 5 or more years of pensionable service may choose to leave contributions on deposit and receive a deferred pension or to obtain a refund of their contributions with interest. Those who have completed less than 5 years of pensionable service receive a refund with interest.

e) Administrative, Actuarial and Medical Plan Expenses

Administrative and actuarial expenses of the Fund are paid by the employer. For the year ended December 31, 1988 this amounted to \$109,175 (1987 - \$102,593). BC Rail Ltd. has also undertaken to pay the medical plan premiums for pensioners. For the year ended December 31, 1988 this amounted to \$125,395 (1987- nil).

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at December 31, 1988 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the pension plan. The results of the latest actuarial valuation of the plan are described in Note 5 below.

BC RAIL LTD. PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1988

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Investments

- (i) Units in Pooled Investment Portfolios are carried at the cost of acquisition adjusted by income attributed to the units. Income attributed to the units represents the Fund's share of investment income earned by the Portfolios and is realizable by the Fund upon the sale of the units.
- (ii) Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted by the amortization of discounts and premiums on a constant yield basis over the remaining terms of the investments.

c) Deferred Losses Less Gains on Sale of Investments

Gains and losses on disposal of long-term investments are deferred and amortized on a straight-line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is included in income from investments.

3. INVESTMENTS

The book value of investments held at the end of the year was as follows:

| | <u>1988</u> | <u>1987</u> |
|--|-------------------|-------------------|
| | (\$ Thousands) | |
| Units in Province of British Columbia Pooled Investment Portfolios | \$ 76,088 | \$ 56,916 |
| Long-term investments | <u>123,864</u> | <u>118,558</u> |
| | <u>\$ 199,952</u> | <u>\$ 175,474</u> |

At December 31, 1988, the market value of the units was \$75,982,373 (1987 - \$56,876,500) and the market value of the long-term investments was \$121,166,284 (1987 - \$117,106,000).

4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

| | <u>1988</u> | <u>1987</u> |
|-------------------------------------|----------------|---------------|
| | (\$ Thousands) | |
| Balance at beginning of year | \$ 278 | \$ 336 |
| Net gains on sale of investments | <u>250</u> | <u>80</u> |
| | 28 | 256 |
| Amortization for the year | <u>198</u> | <u>22</u> |
| Balance at end of year | <u>\$ 226</u> | <u>\$ 278</u> |

5. ACTUARIAL VALUATION

According to the articles of the BC Rail Ltd. Pension Plan, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary at least once every three years. The most recent valuation using the unit credit actuarial cost method, was carried out as at January 1, 1989. The valuation disclosed that the Fund had a funding excess of \$33,749,000 (May 31, 1986 - \$10,399,000).

BC RAIL LTD. PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1988

5. ACTUARIAL VALUATION (Continued)

The increase in the funding excess was mainly attributed to experience gains on actuarial assumptions. In order to reduce this surplus, a contribution holiday has been instituted for the period January 1, 1989 through March 31, 1990.

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY PENSION FUND

Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
(604) 387-6803

AUDITOR'S REPORT

To the Superannuation Commissioner, Trustee,

To the Minister of Government Management Services,
Province of British Columbia:

I have examined the statement of financial position of the British Columbia Hydro and Power Authority Pension Fund as at December 31, 1988 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1988 and the changes in the fund balance for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with the British Columbia Hydro and Power Authority Pension Plan, including amendments resulting from the integration of former plans described in note 7 to the financial statements. In my opinion, these transactions were, in all significant respects, in compliance with the Plan.

A handwritten signature in black ink, reading "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General

Victoria, British Columbia
April 7, 1989

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY PENSION FUND

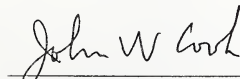
STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 1988

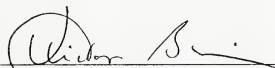
| | <u>1988</u> | <u>1987</u> |
|---|-------------------|--------------------------------|
| | (\$ Thousands) | |
| ASSETS | | |
| Cash | \$ 485 | \$ 354 |
| Contributions receivable | 2,235 | 1,051 |
| Accrued interest | 10,761 | 9,703 |
| Investments (Note 3) | <u>794,082</u> | <u>625,487</u> |
| | <u>\$ 807,563</u> | <u>\$ 636,595</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 744 | \$ 154 |
| Deferred gains less losses on sale of investments (Note 4) | <u>649</u> | <u>1,533</u> |
| | <u>1,393</u> | <u>1,687</u> |
| FUND BALANCE | | |
| Pension Account | 322,341 | 207,281 |
| Employer Compulsory Contributions Account | 176,479 | 180,677 |
| Employee Compulsory Contributions Account | 180,020 | 180,677 |
| Additional Voluntary Contributions Account | 605 | 1,267 |
| Reserve Account | 6,794 | (5,405) |
| Index Pension Account | 75,129 | 50,491 |
| Index Reserve Account | 44,779 | 19,898 |
| Unclaimed Monies Account | <u>23</u> | <u>22</u> |
| | <u>806,170</u> | <u>634,908</u> |
| | <u>\$ 807,563</u> | <u>\$ 636,595</u> (Note 11) |

The eleven accompanying notes are an integral part of these financial statements.

APPROVED BY:



John W. Cook, F.C.I.A.,
Superannuation Commissioner, Trustee



Victor Barwin, C.A.,
Director, Finance, Superannuation Commission

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY PENSION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1988

1. DESCRIPTION OF THE BRITISH COLUMBIA HYDRO AND POWER AUTHORITY PENSION PLAN

The following description of the British Columbia Hydro and Power Authority Pension Plan (the Plan) is provided for general information only. For more complete information, reference should be made to the Plan.

a) General

The Plan is a contributory defined benefit pension plan open to all regular employees of the British Columbia Hydro and Power Authority (B.C. Hydro).

b) Contributions

Members and B.C. Hydro each contribute 5.15% of members' salaries to the Compulsory Contributions Accounts. They also each contribute 1.10% of members' salary to the Index Reserve Account. See also reference to special deficiency receipts in Note 5.

c) Retirement Benefits

Members who have attained age 50 and who have at least 10 years service, and the sum of their age and service is not less than 65, are eligible for a pension benefit which is reduced by 5% per year for each year that the member's age at retirement is below age 60. Members who have attained age 60, or 55 with a minimum of 35 years of service, are eligible for an unreduced pension benefit.

The Plan provides a pension of 2% of the best five year average Plan earnings for each year of contributory service up to a maximum of 35 years.

Increases in the index pension payments are provided each January 1st and are related to the annual increase in the Consumer Price Index (CPI) as at the previous September 30th. These increases will be limited to a lesser amount if the funds available are insufficient to provide the full amount of the increase in the CPI. As there were sufficient funds available at January 1, 1988, a full CPI increase of 4.501% (1987 - 4.141%) to the basic lifetime portion of the pension payments in force was provided. Sufficient funds were also available to provide a full CPI increase of 4.092% effective January 1, 1989.

d) Termination Benefits

A terminating member may choose between leaving contributions on deposit or obtaining a refund. The refund includes prescribed interest on the member's contributions. Members who have completed at least 10 years service and who leave service after September 30, 1987 are entitled to a deferred indexed pension provided that members leave their contributions in the Plan. That pension may be payable as early as age 55 subject to the Plan's early retirement provisions. Indexing over the period that the pension is deferred will be added to the amount of pension benefit.

e) Other Benefits

Disability and survivor benefits are available under the Plan.

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY PENSION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1988

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at December 31, 1988 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the pension plan. The results of the latest actuarial valuation of the Plan are described in Note 5 below.

b) Investments

- (i) Short-term investments are carried at cost of acquisition.
- (ii) Units in Pooled Investment Portfolios are carried at the cost of acquisition adjusted by income attributed to the units. Income attributed to the units represents the Fund's share of investment income earned by the Portfolios and is realizable by the Fund upon the sale of the units.
- (iii) Long-term bonds and notes are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted by the amortization of discounts and premiums on a constant yield basis over the remaining terms of the bonds and notes.
- (iv) Equities are carried at cost.

c) Deferred Gains Less Losses on Sale of Investments

Gains and losses on disposal of long-term bonds and notes are deferred and amortized on a straight-line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

3. INVESTMENTS

The book value of investments held at the end of the year was as follows:

| | <u>1988</u> | <u>1987</u> |
|--|-------------------|-------------------|
| | (\$ Thousands) | |
| Short-term investments | \$ 7,506 | \$ 6,010 |
| Units in Province of British Columbia Pooled Investment Portfolios | 269,432 | 196,620 |
| Long-term bonds and notes | 477,098 | 422,857 |
| Equities | <u>40,046</u> | <u>-</u> |
| | <u>\$ 794,082</u> | <u>\$ 625,487</u> |

At December 31, 1988, the market value of the units was \$268,808,000 (1987 - \$196,230,000), the market value of long-term bonds and notes was \$463,088,000 (1987 - \$411,752,000) and the market value of equities was \$39,432,869 (1987 - nil).

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY PENSION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1988

4. DEFERRED GAINS LESS LOSSES ON SALE OF INVESTMENTS

| | <u>1988</u> | <u>1987</u> |
|---|----------------|-----------------|
| | (\$ Thousands) | |
| Balance at beginning of year | \$ 1,533 | \$ 1,501 |
| Net gains (losses) on sale of investments | <u>(379)</u> | <u>560</u> |
| | 1,154 | 2,061 |
| Amortization for the year | <u>505</u> | <u>528</u> |
| Balance at end of year | <u>\$ 649</u> | <u>\$ 1,533</u> |

5. ACTUARIAL VALUATION

According to the Plan an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary at least every three years. The last full valuation was completed for the year ended December 31, 1986. Actuarial report updates are obtained annually.

An actuarial report update dated April 1988 was obtained for the year ended December 31, 1987 which preceded the recent integration of former plans, the Early Retirement Incentive and the privatization of the gas and rail businesses of B.C. Hydro. The update indicates a funding excess at December 31, 1987 of \$11,900,000 (1986 - \$8,400,000 funding deficiency). B.C. Hydro made special payments to the Fund in 1988 totalling \$4,255,248 (1987 - \$4,255,248) to fund past deficits and Plan improvements which arose prior to 1982.

The funding improvement is primarily attributed to experience gains and account transfers recommended by the Actuary offset by losses due to Plan improvements with respect to early retirement.

A full actuarial valuation of the Fund as at December 31, 1988 is currently in progress and is expected to be completed by mid 1989. This valuation will include the effects on the Fund of the recent events noted above.

6. B.C. TRANSIT INDEXING RECEIPTS

Urban passenger transportation services were transferred from B.C. Hydro to B.C. Transit (formerly Metro Transit Operating Company) as of April 1, 1980. As part of the settlement, B.C. Transit transfers cash to the Fund to cover the cost of index pension payments made to former urban passenger transportation services contributors granted pensions after separation and paid by the Fund.

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY PENSION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1988

7. INTEGRATION OF FORMER PLANS

An Order-in-Council dated March 18, 1988 gave B.C. Hydro the approval to make the regulations to integrate eight former plans of B.C. Electric, B.C. Power Commission and successor companies into the Plan effective March 31, 1988. The Plan will assume all assets and liabilities of the former plans and pay out benefits to members of these plans. The net assets of the former plans have been recorded in these financial statements using the book value at the integration date which was \$92,827,000. The pension obligations of the former plans at that time totalled \$73,007,000.

These financial statements include the results of operations of the former plans from April 1, 1988.

8. EARLY RETIREMENT INCENTIVE

B.C. Hydro in 1988 offered an Early Retirement Incentive Program to all employees who had attained age 55 at March 31, 1988 and who, if under 60, had completed at least 10 years of service. Incentives which impacted the funding of the Plan included waivers of pension reductions normally associated with early retirement and future indexing of these pension waivers.

The program was accepted by 605 members, or 68% of eligible employees. B.C. Hydro has committed to pay for the full \$17,511,000 cost of these incentives as determined by an independent Actuary.

9. PRIVATIZATIONS

As a result of the sale of the gas and rail businesses of B.C. Hydro in 1988, certain pension options were made available to employees who were transferred from B.C. Hydro. In addition to these pension options, the privatized employees were allowed to remain in the Plan as contributors for a period of approximately one year subsequent to the effective dates of transfers.

A preliminary actuarial estimate of the full cost of these pension options is \$48,500,000. All of these costs will be paid from the proceeds received from the sale of these businesses. As at December 31, 1988, \$15,000,000 had been paid into the Fund. The Minister of Finance and Corporate Relations is currently holding in trust a further \$35,000,000 for possible payment into the Fund pending the final determination of costs.

10. TRANSFERS

a) Capitalized Value of New Pensions

When a member goes on pension, the member's and B.C. Hydro's contributions plus interest are transferred from the Compulsory Contributions Accounts to the Pension Account. If the amounts to be transferred are less than the capitalized value of the pension, the deficiency is transferred from the Reserve Account to the Pension Account. The capitalized value of new pensions granted was \$104,347,475 (1987 - \$21,260,006).

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY PENSION FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1988

10. TRANSFERS (Continued)

b) Excess Interest

The Index Reserve Account is increased by income that is earned on investments held in the Fund in respect of the amount committed to the payment of basic and index pensions out of the Fund and which is in excess of the income calculated using the interest rate assumed by the Actuary. The excess interest transferred from the Reserve Account to the Index Reserve Account was \$7,417,054 (1987 - \$7,026,270).

c) Capitalized Value of Index Increases

The capitalized value of the annual increase in the index pension payments of \$13,225,721 (1987 - \$10,354,930) was transferred to the Index Pension Account and Reserve Account from the Index Reserve Account.

11. COMPARATIVE FIGURES

The comparative figures show only the results of operations for the Plan before the integration of former plans described in Note 7. Certain 1987 figures have been restated in order to conform with the financial statement presentation adopted in 1988.

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIO, FUND ST1



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
V8V 1X4
Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Minister of Finance and Corporate Relations,
Province of British Columbia:

I have examined the statement of assets and the statement of investments of the Province of British Columbia Pooled Investment Portfolio, Fund ST1, as at March 31, 1989 and the statement of changes in assets for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund ST1 as at March 31, 1989, its investment portfolio as at March 31, 1989 and the changes in its assets for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with Section 36 of the Financial Administration Act. In my opinion, these transactions were, in all significant respects, in compliance with the authority specified.

A handwritten signature in cursive script, reading "George L. Morfitt".

George L. Morfitt, F.C.A.
Auditor General


Victoria, British Columbia
May 31, 1989


PROVINCE OF BRITISH COLUMBIA
 POOLED INVESTMENT PORTFOLIO
 FUND ST1
 STATEMENT OF ASSETS
 AS AT MARCH 31, 1989

| | In Thousands | |
|---|--------------------|------------------|
| | <u>1989</u> | <u>1988</u> |
| Investments at market value (amortized cost \$1,035,845; 1988 - \$295,724) | \$1,035,755 | \$295,726 |
| | <hr/> | <hr/> |
| Total assets | <u>\$1,035,755</u> | <u>\$295,726</u> |
| Represented by: | | |
| Unitholders' equity (note 3) 823.812 units outstanding (1988 - 259.581 units) | <u>\$1,035,755</u> | <u>\$295,726</u> |
| Asset value per unit | <u>\$ 1,257</u> | <u>\$ 1,139</u> |

The four accompanying notes are an integral part of these financial statements.

Approved on behalf of the Minister of Finance and Corporate Relations:


 Philip G. Halkett
 Deputy Minister
 Ministry of Finance and
 Corporate Relations


 Michael Costello
 Assistant Deputy Minister
 Provincial Treasury
 Ministry of Finance and
 Corporate Relations

PROVINCE OF BRITISH COLUMBIA
 POOLED INVESTMENT PORTFOLIO
 FUND ST1
 STATEMENT OF CHANGES IN ASSETS
 FOR THE YEAR ENDED MARCH 31, 1989

| | In Thousands | |
|---|--------------------|-------------------|
| | <u>1989</u> | <u>1988</u> |
| Assets at the beginning of the year | \$ 295,726 | \$ 278,666 |
| Proceeds from units issued | 8,196,374 | 4,445,500 |
| Cost of units redeemed | (7,517,271) | (4,448,867) |
| | <hr/> 974,829 | <hr/> 275,299 |
| Interest income | 61,015 | 20,434 |
| Realized gain (loss) on sale of investments | 2 | (10) |
| (Decrease) increase in unrealized appreciation in the market value of investments | (91) | 3 |
| Assets at the end of the year | <u>\$1,035,755</u> | <u>\$ 295,726</u> |

PROVINCE OF BRITISH COLUMBIA
 POOLED INVESTMENT PORTFOLIO
 FUND ST1
 STATEMENT OF INVESTMENTS
 AS AT MARCH 31, 1989

| | In Thousands | | |
|---|---------------------------|-------------------------|-------------------------|
| | 1989 | | 1988 |
| | <u>Amortized Cost</u> | <u>Market Value</u> | <u>Market Value</u> |
| Obligations of, or guaranteed by, Canada | \$ 21,130 | \$ 21,130 | \$ 28,878 |
| Obligations of the Province of British Columbia | - | - | 24,839 |
| Obligations of, or guaranteed by, other provinces | - | - | 50,548 |
| Obligations of, or guaranteed by, savings institutions | 964,859 | 964,772 | 191,461 |
| Commercial paper issued by a corporation incorporated under the laws of Canada or a province | 49,856 | 49,853 | - |
| | <u>\$1,035,845</u> | <u>\$1,035,755</u> | <u>\$295,726</u> |

PROVINCE OF BRITISH COLUMBIA
POOLED INVESTMENT PORTFOLIO
FUND ST1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1989

1. The Portfolio

The Financial Administration Act, Section 36, subsection 9(a) authorizes the Minister of Finance and Corporate Relations to establish and operate pooled investment portfolios "...in which money from special funds, trust funds, other funds, other public money and money of government bodies may be combined in common for the purpose of investment." This Portfolio was established by the Minister on April 21, 1986.

The Portfolio consists of investments, authorized by Section 36, subsection 10 of the Financial Administration Act, which are generally held for terms of one month or less.

Participation in the Portfolio is expressed in units, each unit giving its holder a proportionate share in the net equity. Unitholders may purchase and sell units daily at market value. The value of a unit is determined by dividing the market value of the net assets of the Portfolio by the total number of units outstanding.

2. Significant accounting policies

a) Investments

Investments are carried at market value, as derived from external market quotations.

b) Investment transactions

Investment transactions are accounted for on the trade date basis. Realized gains and losses are calculated based on amortized cost. The amortized cost of investments is the average cost of acquisition adjusted by amortization of discounts and premiums. Discounts and premiums are amortized on a constant yield basis over the terms of the investments.

PROVINCE OF BRITISH COLUMBIA
 POOLED INVESTMENT PORTFOLIO
 FUND ST1
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 1989

3. Unitholders' equity

There is no limitation on the number of Portfolio units available for issue. The following is a summary of the changes in units outstanding during the year.

| | <u>1989</u> | <u>1988</u> |
|---|----------------|----------------|
| Outstanding at the beginning of the year | 259.581 | 266.094 |
| Issued | 6,854.768 | 4,071.490 |
| Redeemed | (6,290.537) | (4,078.003) |
| | <hr/> | <hr/> |
| Outstanding at the end of the year | <u>823.812</u> | <u>259.581</u> |

4. Related party transactions

Investment transactions include purchases, at market value, of securities issued by the Province of British Columbia and its Crown corporations, some of which are unitholders in the Portfolio.

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIO, FUND ST2



Legislative Assembly
Province of British Columbia

AUDITOR GENERAL

8 Bastion Square
Victoria
British Columbia
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Telephone: (604) 387-6803
Fax: (604) 387-1230

AUDITOR'S REPORT

To the Minister of Finance and Corporate Relations,
Province of British Columbia:

I have examined the statement of assets and the statement of investments of the Province of British Columbia Pooled Investment Portfolio, Fund ST2, as at March 31, 1989 and the statement of changes in assets for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund ST2 as at March 31, 1989, its investment portfolio as at March 31, 1989 and the changes in its assets for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of my examination of the financial statements to determine whether they were in accordance with Section 36 of the Financial Administration Act. In my opinion, these transactions were, in all significant respects, in compliance with the authority specified.

A handwritten signature in cursive script, reading 'George L. Morfitt'.

George L. Morfitt, F.C.A.
Auditor General

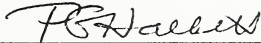
Victoria, British Columbia
May 31, 1989


PROVINCE OF BRITISH COLUMBIA
POOLED INVESTMENT PORTFOLIO
FUND ST2
STATEMENT OF ASSETS
AS AT MARCH 31, 1989

| | In Thousands | |
|--|--------------------|--------------------|
| | <u>1989</u> | <u>1988</u> |
| Investments at market value (amortized cost \$5,232,413; 1988 - \$3,696,169) | \$5,225,573 | \$3,697,957 |
| Accrued interest | 83 | 10 |
| | <hr/> | <hr/> |
| Total assets | <u>\$5,225,656</u> | <u>\$3,697,967</u> |
| Represented by: | | |
| Unitholders' equity (note 3) | | |
| 4,182.275 units outstanding | <u>\$5,225,656</u> | <u>\$3,697,967</u> |
| (1988 - 3,253.529 units) | | |
| Asset value per unit | <u>\$ 1,249</u> | <u>\$ 1,137</u> |

The four accompanying notes are an integral part of these financial statements.

Approved on behalf of the Minister of Finance and Corporate Relations:


Philip G. Halkett
Deputy Minister
Ministry of Finance and
Corporate Relations


Michael Costello
Assistant Deputy Minister
Provincial Treasury
Ministry of Finance and
Corporate Relations

PROVINCE OF BRITISH COLUMBIA
 POOLED INVESTMENT PORTFOLIO
 FUND ST2
 STATEMENT OF CHANGES IN ASSETS
 FOR THE YEAR ENDED MARCH 31, 1989

| | In Thousands | |
|---|--------------------|--------------------|
| | <u>1989</u> | <u>1988</u> |
| Assets at the beginning of the year | \$3,697,967 | \$ 527,336 |
| Proceeds from units issued | 2,255,790 | 3,619,929 |
| Cost of units redeemed | (1,176,308) | (631,757) |
| | <hr/> | <hr/> |
| | 4,777,449 | 3,515,508 |
| Interest income | 456,953 | 181,982 |
| Realized (loss) gain on sale of investments | (118) | 430 |
| (Decrease) increase in unrealized appreciation in the market value of investments | (8,628) | 47 |
| | <hr/> | <hr/> |
| Assets at the end of the year | <u>\$5,225,656</u> | <u>\$3,697,967</u> |

PROVINCE OF BRITISH COLUMBIA
 POOLED INVESTMENT PORTFOLIO
 FUND ST2
 STATEMENT OF INVESTMENTS
 AS AT MARCH 31, 1989

| | In Thousands | | |
|---|---------------------------|-------------------------|-------------------------|
| | 1989 | | 1988 |
| | <u>Amortized Cost</u> | <u>Market Value</u> | <u>Market Value</u> |
| Obligations of, or guaranteed by, Canada | \$3,982,183 | \$3,977,191 | \$2,037,311 |
| Obligations of the Province of British Columbia | 738,929 | 737,410 | 201,806 |
| Obligations of, or guaranteed by, other provinces | 132,117 | 132,052 | 399,988 |
| Obligations of, or guaranteed by, savings institutions | 374,222 | 373,958 | 1,058,852 |
| Commercial paper issued by a corporation incorporated under the laws of Canada or a province | 4,962 | 4,962 | - |
| | <u>\$5,232,413</u> | <u>\$5,225,573</u> | <u>\$3,697,957</u> |

PROVINCE OF BRITISH COLUMBIA
POOLED INVESTMENT PORTFOLIO
FUND ST2
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1989

1. The Portfolio

The Financial Administration Act, Section 36, subsection 9(a) authorizes the Minister of Finance and Corporate Relations to establish and operate pooled investment portfolios "...in which money from special funds, trust funds, other funds, other public money and money of government bodies may be combined in common for the purpose of investment." This Portfolio was established by the Minister on September 19, 1986.

The Portfolio consists of investments, authorized by Section 36, subsection 10, of the Financial Administration Act, which are generally held for terms of one year or less.

Participation in the Portfolio is expressed in units, each unit giving its holder a proportionate share in the net equity. Unitholders may purchase and sell units daily at market value. The value of a unit is determined by dividing the market value of the net assets of the Portfolio by the total number of units outstanding.

2. Significant accounting policies

a) Investments

Investments are carried at market value, as derived from external market quotations.

b) Investment transactions

Investment transactions are accounted for on the trade date basis. Realized gains and losses are calculated based on amortized cost. The amortized cost of investments is the average cost of acquisition adjusted by amortization of discounts and premiums. Discounts and premiums are amortized on a constant yield basis over the terms of the investments.

PROVINCE OF BRITISH COLUMBIA
 POOLED INVESTMENT PORTFOLIO
 FUND ST2
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 1989

3. Unitholders' equity

There is no limitation on the number of Portfolio units available for issue. The following is a summary of the changes in units outstanding during the year.

| | <u>1989</u> | <u>1988</u> |
|---|------------------|------------------|
| Outstanding at the beginning of the year | 3,253.529 | 501.758 |
| Issued | 1,901.974 | 3,328.657 |
| Redeemed | (973.228) | (576.886) |
| Outstanding at the end of the year | <u>4,182.275</u> | <u>3,253.529</u> |

4. Related party transactions

Investment transactions include purchases, at market value, of securities issued by the Province of British Columbia and its Crown corporations, some of which are unitholders in the Portfolio.

Queen's Printer for British Columbia®
Victoria, 1989

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PUBLIC ACCOUNTS

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